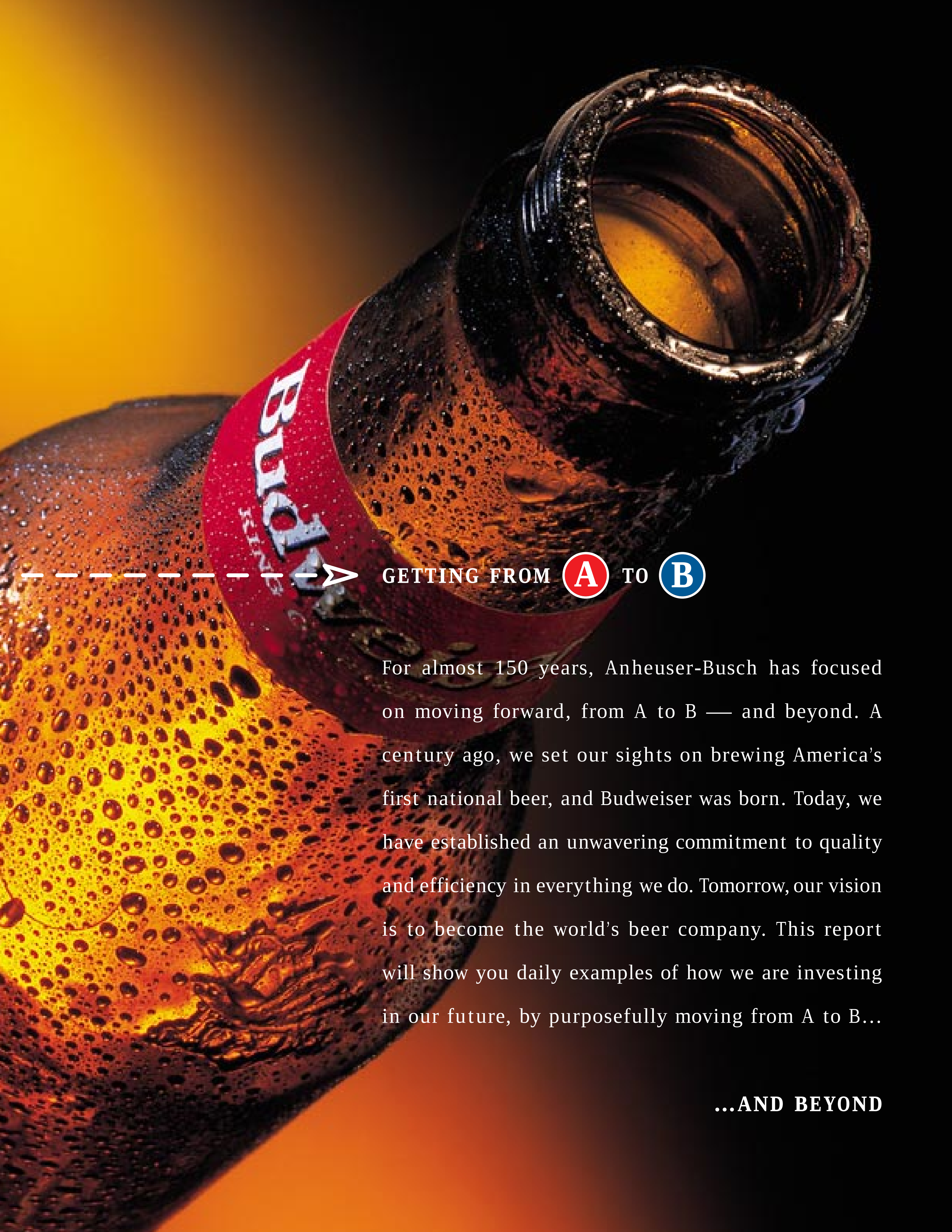
Anheuser-Busch Companies, Inc.
1998 Annual Report

INVESTING IN OUR FUTURE



GETTING FROM A TO B

For almost 150 years, Anheuser-Busch has focused on moving forward, from A to B — and beyond. A century ago, we set our sights on brewing America's first national beer, and Budweiser was born. Today, we have established an unwavering commitment to quality and efficiency in everything we do. Tomorrow, our vision is to become the world's beer company. This report will show you daily examples of how we are investing in our future, by purposefully moving from A to B...

...AND BEYOND

1998 Financial Highlights

Anheuser-Busch Companies and Subsidiaries

(In millions, except where noted)

Year Ended December 31,	1998	1997[1]	% Change
Barrels of beer sold:			
Domestic	**92.7**	89.6	**3.5**
International	**7.1**	7.0	**0.6**
Worldwide A-B brands	**99.8**	96.6	**3.3**
International equity partner brands	**11.2**	6.8	**64.9**
Total brands	**111.0**	103.4	**7.3**
Gross sales	**$13,207.9**	$12,832.4	**2.9**
Excise taxes	**1,962.1**	1,766.2	**11.1**
Net sales	**11,245.8**	11,066.2	**1.6**
Gross profit	**4,083.3**	3,969.3	**2.9**
Operating income	**2,125.3**	2,053.0	**3.5**
Income from continuing operations	**1,233.3**	1,179.2	**4.6**
Diluted earnings per share from continuing operations	**2.53**	2.36	**7.2**
Return on shareholders equity	**29.9%**	29.2%	**0.7%**
Return on capital employed	**13.4%**	13.7%	**(0.3)%**
Total assets	**$12,484.3**	$11,727.1	**6.5**
Long-term debt	**4,718.6**	4,365.6	**8.1**
Shareholders equity	**4,216.0**	4,041.8	**4.3**
Total debt to total capitalization ratio	**52.8%**	51.9%	**0.9%**
Capital expenditures	**817.5**	1,199.3	**(31.8)**
Depreciation and amortization	**738.4**	683.7	**8.0**
Common dividends paid	**$ 521.0**	$ 492.6	**5.8**
Per share	**1.08**	1.00	**8.0**
Total taxes	**2,891.0**	2,675.3	**8.1**
Weighted average shares outstanding:			
Basic	**482.1**	492.6	**(2.1)**
Diluted	**487.5**	499.7	**(2.4)**
Number of full-time employees	**24,344**	24,326	**0.1**
Number of common shareholders	**62,110**	64,815	**(4.2)**
Closing stock price	**$ 65 5/8**	$ 44	**49.1**

Note 1: In December 1997, in accordance with EITF consensus No. 97-13, the company expensed all previously capitalized and unamortized business re-engineering costs associated with the development and installation of computer software. The total write-off was $10 million after tax ($.02 per share), and is shown as a separate "cumulative effect of accounting change" line item in the income statement. See Note 13 to the Consolidated Financial Statements for additional information.

Contents

August A. Busch III
Chairman of the Board
and President

> LETTER TO SHAREHOLDERS

Anheuser-Busch enjoyed a successful year in all of its major lines of business, and our stock significantly outperformed the market.

In 1998, I spent a few days at our wholesale operation in Hawaii. When I left, the employees presented me with a paddle from an outrigger canoe.

The symbolism of that gift made a lasting impression. The first Hawaiians were Polynesians who set their sights on a far-away place, then paddled outrigger canoes thousands of miles through sometimes turbulent ocean to reach what came to be called Hawaii. They succeeded because of their focus, determination and skill in anticipating and meeting challenges.

The same qualities instilled in, and demanded of, those ancient Hawaiians—strength, foresight, endurance and team-work—can be found at every level within Anheuser-Busch. Adeptness and the ability to work together, to anticipate what's ahead and to successfully overcome challenges are key reasons why this company has been successful for nearly 150 years.

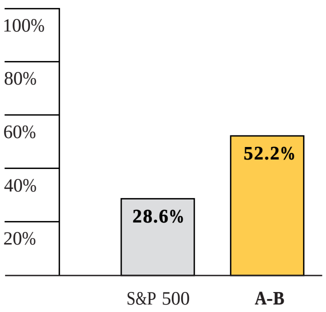
And they are key reasons for our success in 1998.

Consider our stock performance. The market recognized and rewarded our efforts, and our share price appreciated an exceptional 49%. As a result, combined with dividends, the total return on your investment exceeded 52% — outpacing the S&P 500's return almost two-fold.

1998 Highlights

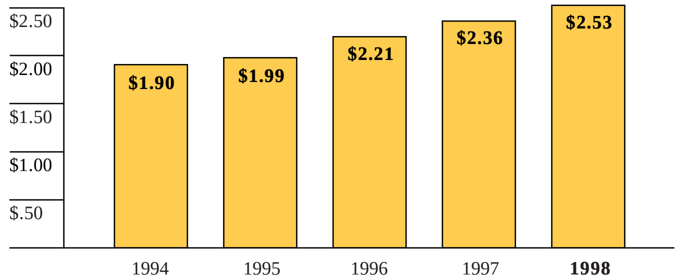
- Our stock returned 52.2% vs. 28.6% for the S&P 500.
- In July we achieved the largest single-month sales record in the history of the brewing industry.
- U.S. market share reached a new record of 46.4%.
- Bud and Bud Light had their best combined growth rate in 11 years.
- After negotiations reached impasse, we implemented our final contract offer, which included improved wages and benefits for our brewery employees represented by the Teamsters union, and improved operational flexibility for the company.
- Our international sales growth in Europe and the Americas more than offset weakness in Asia.
- We completed our option exercise with Modelo to 50%, and this investment contributed significantly to our earnings growth.
- Our packaging group turned in an outstanding performance.
- We entertained more than 20 million guests at our Busch Entertainment adventure parks.

1998 A-B STOCK TOTAL RETURN PERFORMANCE VS. S&P 500 STOCK TOTAL RETURN PERFORMANCE
(includes dividends)



Shareholder's return *The performance of our stock reflected our success in 1998. The total return on investment in A-B stock exceeded 52%—almost double that of the S&P 500.*

DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS



Diluted earnings per share *Diluted earnings per share have risen 33% over the last five years.*

Domestic operations: an exceptional year

Our domestic beer business did well. Shipments grew 3.5%—more than double the industry average—and we increased our market share lead over our competitors nearly a full point. We currently have more than twice the share of our nearest competitor and four times that of the No. 3 brewer.

That performance didn't just happen. It was the result of dedicated effort, a clear focus on our goals and sound strategic planning.

This doesn't mean we didn't have our share of challenges.

For example, trends for Budweiser, our flagship brand, are improving, but they are still in decline. While the decline has stabilized, we are not satisfied with this performance. Yet, when evaluated in the context of the industry environment, Budweiser's performance was solid.

Consider that compared with 1981, the premium regular beer segment — in which Budweiser is the leading brand — has become much smaller as consumer preferences have shifted to light beers. In 1981 the premium regular segment represented 48% of industry sales. Today it represents 25%. As a result, brands that compete in that segment are at a disadvantage in the marketplace.

But we refuse to accept the status quo. Instead, we continue to move aggressively to implement strategies to improve Budweiser's trends.

Our advertising campaigns are designed to achieve that goal. Louie and Frank, for example, aren't just a clever advertising gimmick—even though that ad campaign has been ranked as the most popular ever measured by USA Today's Ad Track poll of adult consumers. The Budweiser lizards are carefully crafted to give the brand a unique identity and edge in the marketplace with adults. Our heritage spots, in which my son and I talk about the quality of our products and the legacy of this company, are designed to reinforce for consumers our old-world brewing heritage and unwavering commitment to quality, which give us a unique point of difference in the marketplace.

The two-pronged revenue enhancement program we implemented in 1998 was intended to help grow sales and increase profitability. In 1997 our competitors escalated discounting, eroding margins and, in some cases, negatively impacting brand image.

We attacked the problem vigorously—and with significant success. First, we initiated reductions in the amount, duration and frequency of discounts wherever feasible, while responding quickly to competitive activity to avoid placing sales at risk. Second, we changed the way we determine pricing, moving to a market-by-market implementation rather than on a national basis. As a result of these efforts, discounting on our brands slowed, setting the stage for us to initiate front-line price increases in selected markets in the fourth quarter. The acceptance level for these increases has been high, and the improved pricing environment is contributing to increased revenue and profitability.

While we are working to improve Budweiser sales, we are also capitalizing on the tremendous growth of the light beer segment, which has increased steadily since its introduction in 1974. The light beer segment passed the premium regular segment in sales in 1997, and today accounts for 40% of industry sales.

Bud Light is our key brand in this effort, and its performance speaks to our success. Bud Light is the biggest growth story in the industry, up double digits for the seventh consecutive year. It is now a 26-million-barrel brand, holds a 43% share of the

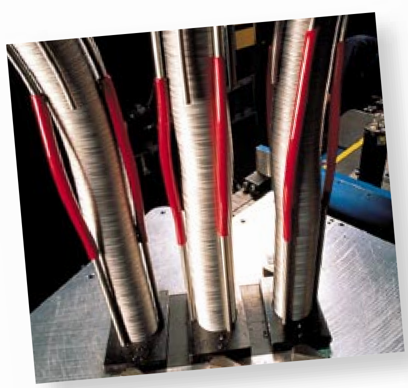
premium light beer segment and is the second-best-selling beer in the world behind Budweiser.

While we work hard to increase our share in existing beer categories, we also continue to look for ways to interest new adult consumers in the beer market, developing new brands such as Tequiza that bring innovation to the beer category and offer significant profit potential.

Great marketing and the world's highest-quality brands alone don't guarantee success. Distribution is another key component. While we already had the strongest distribution network in the beer industry, we knew that it could be improved to better meet the needs of the changing retail market.

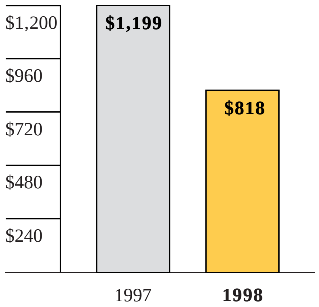
Today's retailers demand cutting-edge technology, increasingly flexible service and more customized promotions. So we made changes in our distribution system. We amended our equity agreement with our 700 independent wholesalers. And we asked our wholesalers to focus more exclusively on our brands so that they can better serve their retail customers with Anheuser-Busch products. As a result of this voluntary exclusivity program, wholesalers who handle only Anheuser-Busch brands rose from 40% of Anheuser-Busch volume in 1997 to 56.6% in 1998. Sales have increased as well. The acceptance of the program by our wholesalers, as well as their continued dedication and hard work, contributed significantly to our success in 1998.

On the production and labor front, we continue to look for ways to operate more efficiently and effectively. Our investment over the last five years in a major brewery modernization program, which has reduced operating costs and will result in lower maintenance and replacement capital spending in the future, is such an effort. Capital spending was reduced more than $350 million, or more than 25%, in 1998, reflecting the winding down of this program.



Packaging operations
Our packaging business leads the industry in providing high quality, low cost, state-of-the-art packaging.

TOTAL CAPITAL SPENDING
(in millions)



Capital spending
A major modernization of our domestic breweries wound down in 1998, resulting in a reduction in capital spending of more than $350 million.

The contract offer we made last year to our employees who are represented by the Teamsters union was also an effort to improve the efficiency and effectiveness of our breweries, while continuing to provide the best pay and benefits in the industry. We have always believed in fairly rewarding the efforts of our dedicated employees, who play a key role in our success, and we believe that the final contract offer is consistent with that philosophy.

Our last contract with the Teamsters expired February 28, 1998 and was extended an additional month. On September 21, after the parties reached impasse, we began implementing the terms of our final contract offer to our employees represented by the Teamsters union.

Anheuser-Busch has a long association with the Teamsters organization, and we have enjoyed 22 years of national labor peace. We will do everything we can to perpetuate that, but in this multinational, highly competitive market there is no room for inefficiency of any kind. We must have complete flexibility to serve the best interests of our company and our many stakeholders, including our employees. We believe that our final contract offer, which keeps wages and benefits for our employees among the top 5% for all U.S. production workers, is fair to both parties.

Given the actions outlined above, we believe that our domestic beer business is well positioned for future growth.

International operations: growth and challenges

On the international front, we completed our final Modelo option exercise, which gives us a 50% interest in Mexico's largest brewer and its subsidiaries. We have been building our ownership in this company since 1993, and our strategy of establishing an equity partnership in this market has been on target. Anheuser-Busch earnings growth in 1998 benefited significantly

from Modelo's strong performance, and we expect it will continue to do so in the future.

Sales in Europe and the Americas (excluding the United States), which represent more than 70% of our international volume, were strong, with volume up 9% and 7%, respectively. In Europe, growth was driven by continued gains in the United Kingdom, where Budweiser is the leading premium packaged lager, and Ireland, where Budweiser is the top-selling lager beer and the No. 2 brand in the country.

In discussing the international market, it's important to remember that Anheuser-Busch is still very much in the learning mode outside the United States. Our nearly 150 years of domestic market experience don't automatically translate to other cultures. We have found that we must adapt to each foreign market, remaining flexible and open to new ways of thinking.

That is certainly true in Asia, which may represent our biggest challenge.

While performance in the Asia Pacific market fell short of our expectations, we have taken steps that will improve volume and profit performance as that region recovers from its economic problems.

Japan has been an extremely difficult market for us over the past few years. Yet Japan has some of the highest beer margins in the world. So it is important that we participate.

In 1998, we took a number of significant steps to improve sales and reduce costs in Japan, including restructuring our sales organization and developing new brands. Until recently, we've been fighting the battle for market share with one brand—Budweiser. And while we think that in the long-term the Budweiser taste profile will be embraced by more Japanese consumers, we are broadening the reach of Anheuser-Busch products by introducing two Budweiser brand extensions (detailed later in this report) designed to capitalize on beer categories enjoying great success in Japan. We are confident that the measures we have taken, and continue to take, will improve our long-term performance in this important beer market.

In China, aggressive pricing by our premium international competitors as well as severe flooding slowed our sales momentum in 1998. However, we remain confident that China, which is still on track to be the world's largest beer market by 2005, offers great potential for Anheuser-Busch. In 1998 we doubled the capacity of our brewery in Wuhan. By working diligently to establish a strong foundation, we are positioning ourselves to serve this rapidly expanding market.

Solid performance in Europe: *Volume in Europe rose 9%. Budweiser performed exceptionally well in Ireland and the United Kingdom. In France, where we have an import and distribution agreement with Kronenbourg, we sponsored the 1998 World Cup. Sales in Europe and the Americas (excluding the United States) represent more than 70% of our international volume.*

As I said earlier, we still have much to learn in the world market. But we are persistent and hard-working students, and though we may have occasional setbacks, we intend to succeed.

Other businesses: solid performance in 1998

Our other core businesses performed well in 1998. Busch Entertainment achieved its seventh consecutive year of record revenue and profit. Its nine adventure parks contributed more than $116 million in operating profits and hosted more than 20 million guests. The parks were repositioned to focus on their adventure-oriented, interactive nature, and Busch Entertainment also announced the construction of an innovative new park scheduled to open in Orlando in the year 2000.

In addition to the contribution the parks make to our overall profitability, they also enhance our corporate image by offering a positive setting in which to showcase our quality products; our environmental efforts, including our work with endangered species and our recycling initiatives; and our commitment to promote responsible consumption by adults and discourage underage drinking. These positive impressions are then taken home by our guests and shared with friends, relatives and neighbors, extending the goodwill generated by our parks to millions more people.

Our packaging operations provided more than $148 million in operating profits and support our beer company's ability to

Entertainment operations: *Busch Entertainment hosted more than 20 million guests at its nine adventure parks and contributed record operating profits of more than $116 million. This marked the seventh consecutive year of record revenue and profit for our entertainment operations. Busch Entertainment also showcases our products in a positive setting and is a leader in environmental activities.*

manage the cost and quality of packaging materials. These operations continue to lead the industry in providing high quality, low cost, state-of-the-art packaging.

Investing in our future

We are also in a strong and accelerating free cash flow position. We intend to use these funds in three ways. First, we will reinvest where appropriate to improve the profitability of our core businesses and increase operating profit. Second, we will pursue additional growth opportunities in international beer. And third, we will return cash to shareholders through dividends and share repurchases.

In addition to investing in our financial future, we are also investing by making friends and building relationships with communities where we do business. Our alcohol awareness initiatives are a good example. Over the last 17 years, the Anheuser-Busch system has invested more than $250 million in efforts to encourage responsible consumption by adults and discourage underage drinking. Statistics from the U.S. Department of Transportation indicate that these kinds of efforts are working, with drunk-driving fatalities nationwide among the general population down 39% since 1982 and teen drunk-driving fatalities down 63%. In addition, government-funded research continues to show progress in the fight against underage drinking at both the high school and college freshmen levels. Our commitment to providing meaningful programs to address these issues remains strong and unwavering.

Our efforts to protect and preserve the environment, to provide fresh drinking water to communities in times of natural disasters, and to support educational initiatives such as the Hispanic Scholarship Fund are just a few of the many ways that we make friends for Anheuser-Busch. While third-party research has consistently found that investing in these kinds of activities is good for business, we also firmly believe that it is simply the right thing to do.

Moving ahead with confidence and determination

As we look to the future, we do so with optimism and enthusiasm. At the same time, we are realistic. We know that each year brings new challenges. We know that we still have much to learn, especially in the international marketplace. And we know that now and then we will stumble.

But we also know that the Anheuser-Busch team is strong, dedicated and smart. The people I work with every day are adept at gazing into the proverbial crystal ball and determining what the future holds—or what it *should* hold—and then systematically putting the components in place to make that future happen.

The theme of this year's annual report—"Investing in Our Future"—is an excellent summation of this company's operating philosophy. For as we prepare to face the challenges of the new millennium, we will continue to invest in and shape the future prudently, deliberately and with clear purpose, moving with confidence and determination into the 21st century.

August A. Busch III
Chairman of the Board and President
February 2, 1999

INVESTING IN OUR FUTURE:

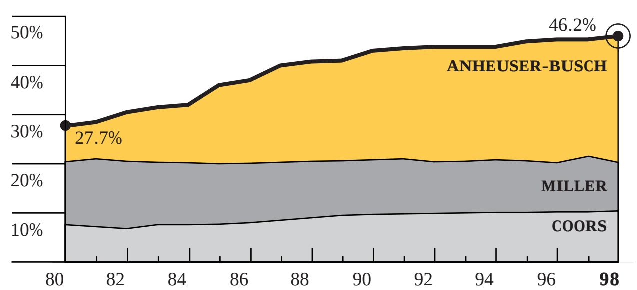
> beer operations

Anheuser-Busch has been the nation's largest brewer for more than 40 years. Over the last 23 years it has doubled its domestic market share.

Anheuser-Busch's gains in the domestic beer market are remarkable accomplishments in an intensely competitive business.

Anheuser-Busch has grown to become the world's industry leader by realizing visions on a scale grander than any ever attained by another brewer. We pioneered innovative techniques such as pasteurization, artificial refrigeration, and refrigerated rail cars to brew and market the first national American beer, Budweiser, in the late 19th century. In the second half of the 20th century, we laid the foundation for explosive growth by building an extensive distribution system of wholesalers and a national network of regional breweries. The result: annual sales rose from 5 million barrels in 1951 to 20 million by 1970. Today, our 12 U.S. breweries and our 700 wholesalers account for annual sales of more than 92 million barrels.

MARKET SHARE*
OF TOP THREE BREWERS
1980-1998



Today's top three brewers *In 1998 Anheuser-Busch widened its lead over the next two largest brewers in the United States. Since 1980, Anheuser-Busch has gained almost 19 share points of the domestic beer market. Our current share is more than twice that of our nearest competitor.*

* Estimated; includes exports

BEER OPERATIONS:

> domestic beer

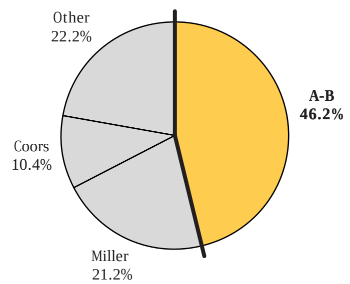
Improved pricing, creative advertising and wholesaler initiatives are driving exceptional growth in domestic sales.

Anheuser-Busch significantly outperformed the competition in domestic beer operations during 1998. Sales to retailers rose 4%, more than twice the overall industry increase in beer sales in the United States. In July, our wholesalers sold 9.1 million barrels of our beer to retailers—a record for the beer industry.

A major factor in our 1998 success was our pricing strategy. In 1997, we attempted to raise front-line prices across the board, but competition responded with increasingly aggressive discounting. As the year progressed we were forced to match their discounts to maintain market share. We began 1998 by initiating discount reductions wherever feasible and responded quickly to competitive activity to avoid placing our sales at risk. This strategy successfully slowed the acceleration of discounts in most

MARKET SHARE INCLUDING EXPORTS

(estimated)



Share of industry *In 1998, Anheuser-Busch increased its share of the domestic beer market to 46.2%, an increase of nearly 1% over 1997.*

Product freshness *Anheuser-Busch's 12 domestic breweries provide the company with the industry's most extensive production network, which allows Anheuser-Busch to offer consumers the freshest beer. We were the first brewer to display a born-on date on all of our packaging, permitting consumers to prove to themselves that fresh beer tastes better.*

BREWERY FRESH TASTE GUARANTEED

THIS IS THE FAMOUS BUDWEISER BEER

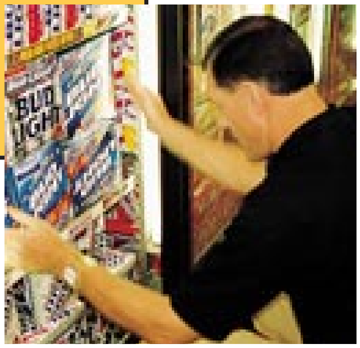
markets and provided the foundation for selective price increases and additional discount reductions in late 1998 and early 1999.

Well-planned and well-executed advertising contributed significantly to our success. Consumers learned about our high standards of quality and our industry leadership in product freshness through spots that featured August A. Busch III and August A. Busch IV. The Budweiser lizards generated tremendously favorable audience response and were rated by adults as America's most popular ad campaign ever by USA Today. Bud Light's advertising continued its focus on humor and helped the brand achieve its seventh consecutive year of double-digit sales increases.

Our wholesalers were another key to our success. In 1997 we worked with our Wholesaler Advisory Panel to amend our equity agreement with our 700 wholesalers. The changes raised performance standards to prioritize support for Anheuser-Busch brands. The changes also ensure a consistent approach to wholesaler participation in local markets and wholesaler service to retail customers. These efforts gained momentum in 1998 as our wholesalers implemented the changes to the equity agreement.

Another initiative to reduce costs and improve our service to wholesalers is our Wholesaler Support Center program. The Wholesaler Support Centers tie our wholesalers and selected breweries together in a comprehensive program that distributes our small-volume products more efficiently and responds more quickly to market needs. These products—which account for 10% of our volume, but 80% of our brand/package configurations—are primarily produced at three breweries, allowing our nine other breweries to concentrate on our large-volume brands and packages. The small-volume brands and packages are shipped to our Wholesaler Support Centers. The centers then make the products available to wholesalers in whatever quantities they need, when they need them. This process has reduced out-of-stock incidence by 27% while significantly cutting freight costs.

Wholesaler momentum *Changes to Anheuser-Busch's equity agreement with its 700 wholesalers raised performance standards for sales and service to local markets and prioritized wholesaler support of Anheuser-Busch brands. Putting these changes into effect drove sales that gathered momentum during 1998.*



Bud Family sets the pace

With market share and beer production twice that of our nearest competitor, we are able to spend more marketing dollars yet maintain a lower media cost per barrel than other brewers. We leveraged our marketing strength

"Hugely" successful advertising *Budweiser commercials featuring Louie the Lizard and his catchphrase "We could have been huge" were rated America's most popular ad campaign ever.*

by increasing our media spending 25% in 1998 to improve our already leading positions in advertising and sports marketing. Our marketing efforts, combined with our unmatched commitment to brewing quality, strengthened the performance of our brands in 1998.

Our Bud Family set the pace. Budweiser, our flagship brand, holds a commanding 72% share of the premium-priced regular beer category. In the face of consumer trends toward light beer, Budweiser held its decline to the 2% range, which was well below its decreases in the middle of the decade.

We forged farther ahead in the largest and fastest-growing domestic beer segment, the premium light category, thanks to another outstanding year from Bud Light. Sales rose more than 10%. Bud Light is the No. 2-selling beer in the world—behind Budweiser—and is the fastest-growing brand in the premium light segment. Bud Light leads this segment with a 42% share.

We support the Bud Family with extensive advertising, promotions and sponsorships. These efforts include the popular Budweiser lizards saga and our sponsorship of key sports and entertainment activities and celebrities such as the National Football League, the Women's National Basketball Association, Major League

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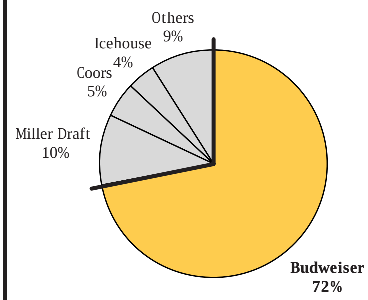
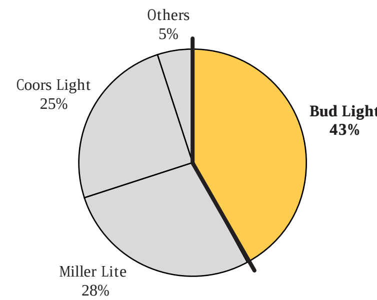
BUDWEISER SHARE OF PREMIUM REGULARS
(estimated)



BUD LIGHT SHARE OF PREMIUM LIGHTS
(estimated)



Category dominance *Budweiser and Bud Light dominate their respective beer segments. Budweiser holds a commanding 72% share of the premium regular category, seven times the share of the next-largest brand. Bud Light enjoyed its seventh consecutive year of double-digit sales and increased its share of the premium light category to 42%.*

Sports marketing
Anheuser-Busch supports the Bud Family with sponsorships of key sports such as baseball, hockey, auto racing and soccer.

Bud Family in the forefront
Consumers have made Bud Light the fastest-growing brand in the premium light segment, while Budweiser remains Anheuser-Busch's flagship brand.

INVESTING IN OUR FUTURE:

> benchmarking

Our newest brewery introduced technology needed throughout our system

Early in this decade, Anheuser-Busch took a big step into the future of brewing when it built a brewery in Cartersville, Ga. Technology played a major role in automating many processes. It was said that technology at Cartersville was two or three generations ahead of the rest of Anheuser-Busch's breweries.

In 1993—the same year that Cartersville began brewing beer—we embarked on an ambitious five-year program of capital and process improvements to bring many of our breweries up to Cartersville's standards. Called the Cartersville Benchmarking Project, the improvements were designed to raise productivity and reduce costs.

Brewery modernization has reduced operating costs and added capacity

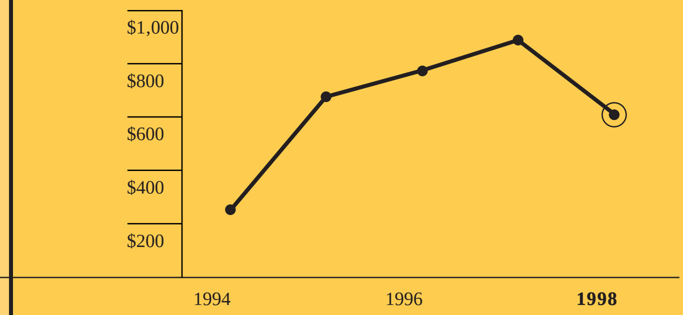
A host of programs have been completed. State-of-the-art brewing and packaging facilities have been created at breweries in Houston, Jacksonville, Los Angeles, Columbus and Williamsburg. Processes were examined for opportunities to reduce costs; those with significant savings potential were addressed.

One of them is the innovative and environmentally friendly Bio-Energy Recovery System (BERS), which uses methane from brewery wastewater to provide fuel for boilers. The process removes most of the organic material from the water before it is pumped to wastewater treatment plants. Compared with previous methods of handling brewery wastewater, BERS reduces electricity use and carbon dioxide release by 75% and the amount of solids requiring disposal by 50%. Reclaimed methane and reduced sewer use fees are saving Anheuser-Busch $30 million annually.

Overall, the Cartersville Benchmarking Project has exceeded expectations. Not only have costs been reduced by about $300 million per year, but 2 million barrels of capacity have been added to Anheuser-Busch's breweries.

The improvements stemming from the Cartersville Benchmarking Project represent Anheuser-Busch's commitment to reinvest in its business and position itself to continue to outperform its competition.

DOMESTIC BEER CAPITAL SPENDING
(in millions of dollars)



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Baseball, auto racing, Superfest '99, Tim McGraw and George Strait.

In the super-premium category, the Michelob family halted its sales decline and showed a small gain in 1998. In 1999, additional marketing resources will focus on Michelob Light and we will continue Michelob's sponsorship of golf's three major professional tours, the PGA, the Senior PGA and the LPGA. The Michelob brand name has been extended to include our line of year-round and seasonal specialty beers. These include Michelob Amber Bock and Honey Lager, and seasonal brews such as Winterbrew Spiced Ale.

We compete in the sub-premium-price category with the Busch and Natural families. Busch, the leading brand in the category and the fifth-largest-selling beer in the United States, dramatically reversed last year's sales decline. The Busch Family was up in mid-single digits in 1998. Price repositioning in some markets and expansion into new ones accounted for Busch's positive results. Busch was rolled out in California and Busch Ice made its debut in five states. A significant development was the four-year title renewal of the Busch Series for NASCAR, the nation's premier stock car racing circuit. Studies have shown that auto racing fans are brand-loyal beer consumers.

Sales of Natural, the No. 2 brand family behind Busch in this category, rose more than 7%. Natural Ice in particular enjoyed an exceptional year, selling 1.6 million barrels. The Natural Family is poised to continue its volume growth based on its competitive price and pleasing taste.

In malt liquors, combined sales of Hurricane and King Cobra rose more than 10% and were the only brands to increase significantly in that category.

Overall sales of nonalcohol brands fell slightly, but the successful national introduction of O'Doul's Amber, along with sales of our regular O'Doul's brand and Busch NA, helped us hold a category-leading 45% share.

New brews *Among Anheuser-Busch's new brands are Tequiza and Catalina Blonde. Tequiza is a unique beverage made by combining a lager beer with real blue nectar and a natural flavor containing lime and imported tequila. Catalina Blonde is a premium-priced beer with only 86 calories per serving.*

Although we are by no means a microbrewer, we still compete in that segment through alliances with Redhook Brewery and Widmer Brothers Brewing. Carrying Redhook and Widmer in our portfolio provides our wholesalers with brands from two leading microbrewers.

We continue to add new brands selectively to capitalize on growth potential in specific markets and demographic segments. In 1998, these included test-marketing Catalina Blonde, a premium-priced beer with only 86 calories per 12-ounce serving, and Azteca, a Mexican lager imported from Cervecería Mexicana.

In late 1998, we also test-marketed Tequiza, a flavored, malt-based beverage. Tequiza is a unique beverage made by combining a lager beer with real blue nectar and a natural flavor containing lime and imported tequila. Innovative products such as Tequiza help expand the beer market with its unique taste by attracting new adult consumers who enjoy other alcohol beverages as well as beer. Given early sales results that exceeded expectations, the brand rolled out nationally in February 1999.

continued on

INVESTING IN OUR FUTURE:

> wholesalers

A

Carrying competitors' beer distracted wholesalers from selling our products

You are a salesperson for XYZ Beer Distributors.

When you started this job a few years ago, your biggest sellers were Anheuser-Busch products. But your company also carried other brands. You had to devote time to them during customer calls. And if you were going to complete your route for the day, you didn't have much time to sell. Sometimes you were little more than an order taker.

That's changed. Last year, your distributorship decided to carry Anheuser-Busch brands alone. And you were trained by Anheuser-Busch in "Impact Selling," a structured process for every retail call that builds in time to actually sell your Anheuser-Busch brands.

Now you are a sales generator.

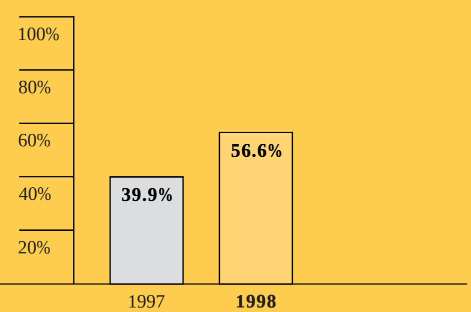
B

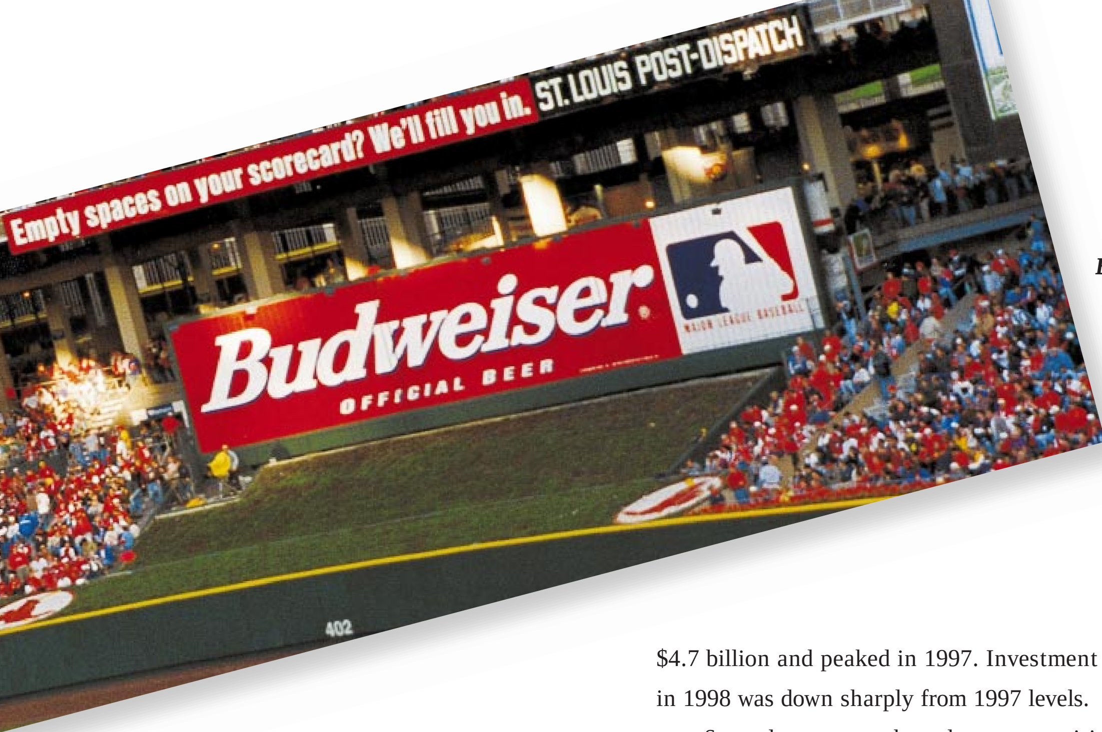
Strategic focus on exclusivity incentives, updated standards and Impact Selling has led to higher sales

The transition from order taker to sales generator reflects the strategic focus Anheuser-Busch brought to its 700 wholesalers beginning in early 1996 when Anheuser-Busch began its "share of mind" initiatives. The first was a voluntary exclusivity incentive program, which rewards wholesalers for carrying only Anheuser-Busch brands. The second amended the wholesaler equity agreement for the first time in 15 years. The changes to the equity agreement updated the standards for distributing A-B brands and servicing our retail customers. Among the changes was a requirement to implement Impact Selling by August 2000.

Anheuser-Busch's wholesaler focus is designed to build long-term sales growth. It's working. Over the last year the share of Anheuser-Busch's domestic sales volume from wholesalers carrying A-B brands exclusively rose almost 17 percentage points to 56.6%. The first group of wholesalers to adopt Impact Selling reported sales increases that were double those of the average increase for all Anheuser-Busch wholesalers. One wholesaler attributed an 8% gain in local market share solely to Impact Selling.

DOMESTIC SALES VOLUME FROM WHOLESALERS CARRYING A-B BRANDS EXCLUSIVELY





Bud and baseball *Budweiser's sponsorship of Major League Baseball is a prime example of how Anheuser-Busch builds sales for its brands by targeting large audiences of adults who consume beer.*

continued from

Although we do not have a leading brand in the import category, we derive significant earnings from sales of Corona, the No. 1 import in the United States. We share in its success thanks to our equity ownership of Diblo, the operating company of Grupo Modelo, which produces Corona. We raised our noncontrolling ownership of Diblo to 50% in 1998. That means we have a 50% share in the earnings from Corona's production.

Well-positioned for growth

As we approach the new millennium, Anheuser-Busch is well-positioned to increase its share of the domestic market and to improve its profitability.

First, we have the most modern and most productive breweries in the industry. We believe that the wisest way to run our business is to reinvest in it. Throughout our history, we have invested a major portion of our profits in the company, building new plants, modernizing existing facilities and training employees. The latest example is the Cartersville Benchmarking Project, which has modernized many of our breweries based on the standards of our newest brewery in Cartersville, Ga. Our total capital investment over the last five years was $4.7 billion and peaked in 1997. Investment in 1998 was down sharply from 1997 levels.

Second, we strengthened our competitive position through the implementation of our final labor contract offer with our 8,000 brewery employees represented by the Teamsters. The agreement improves wages and benefits for what were already some of the highest-paying jobs in U.S. industry while giving the company the flexibility it needs to operate more efficiently and competitively and at less cost.

Third, we will continue to execute a pricing strategy that will include additional selective increases and discount reductions where competitive conditions allow.

Fourth, we will support our brands with creative and memorable marketing. We will continue our sponsorships of highly visible events such as the Olympics, and we will advertise our beers with humor and with emphasis on our product freshness, our highest quality and our rich heritage.

Fifth, we will continue to reap benefits as our network of 700 wholesalers implements enhanced selling programs and raises performance standards.

Finally, we offer more than 30 beers—including the world's best sellers, Budweiser and Bud Light—whose appeal spans the spectrum of the adult audience.

These factors put us in an excellent position to continue the sales growth we achieved in 1998.

Efficient production *Investments in employee training and facility modernization have made Anheuser-Busch's breweries the most productive in the industry. An example is the new stockhouse in St. Louis shown above, which replaced six older facilities, some almost 100 years old.*

INVESTING IN OUR FUTURE:

> labor

A Our old labor contract limited our efforts to improve productivity

If you are a Teamsters-represented employee of Anheuser-Busch, your compensation and other benefits—which already were among the best in U.S. industry—are even better in 1998.

If you own shares of Anheuser-Busch stock, the outlook for long-term profit growth—and the increased value of your investment—are also better.

B Our new offer improves productivity and safety, reduces absenteeism and increases wages and benefits

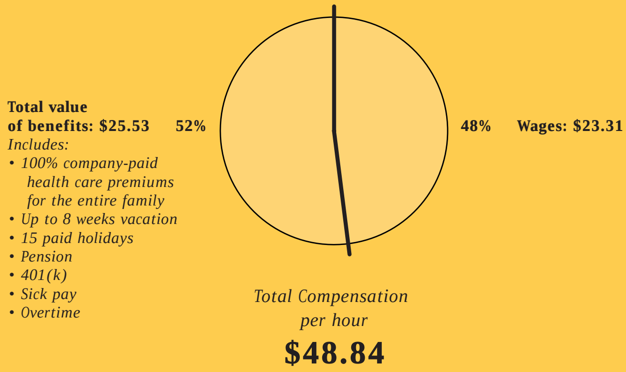
In both cases, the improvements stem from the September implementation of the company's final contract offer with its 8,000 brewery employees represented by the Teamsters. The offer, implemented after impasse had been clearly reached following a year of good-faith bargaining by the company, increases wages and benefits while removing artificial barriers to productivity and profit growth.

The implemented offer provides for a safer and more productive workplace. The offer will award bonuses to Teamsters-represented employees when their brewery meets specific goals that improve safety and reduce absenteeism. Safer working conditions are also the goal of the offer's drug awareness and testing policy. This program will train employees in the effects of illegal drugs, test them for the presence of such drugs, and offer rehabilitation to those who abuse drugs.

Finally, the offer provides the flexibility to make common-sense changes to improve productivity, enhance quality and reduce costs. Examples include supervisors helping to maintain smooth operations by clearing can line jams, picking up fallen bottles on a conveyor, and checking or adjusting equipment, processes or products to maintain quality.

The implemented offer meets the needs of Anheuser-Busch employees while providing the company with flexibility to operate more efficiently and compete more effectively.

A-B TEAMSTERS-REPRESENTED EMPLOYEES IN LAST YEAR OF FINAL CONTRACT OFFER



BEER OPERATIONS:

> international beer

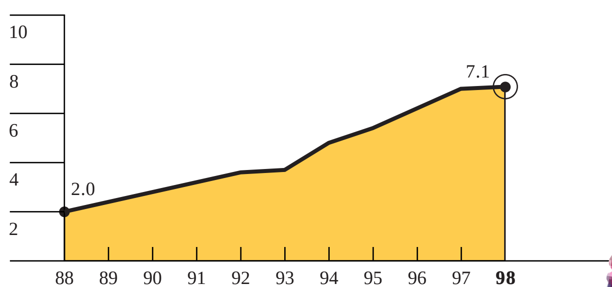
A two-pronged strategy has positioned Anheuser-Busch to generate steadily increasing earnings from international beer operations.

Sales volume from our international beer operations continued to grow in 1998.

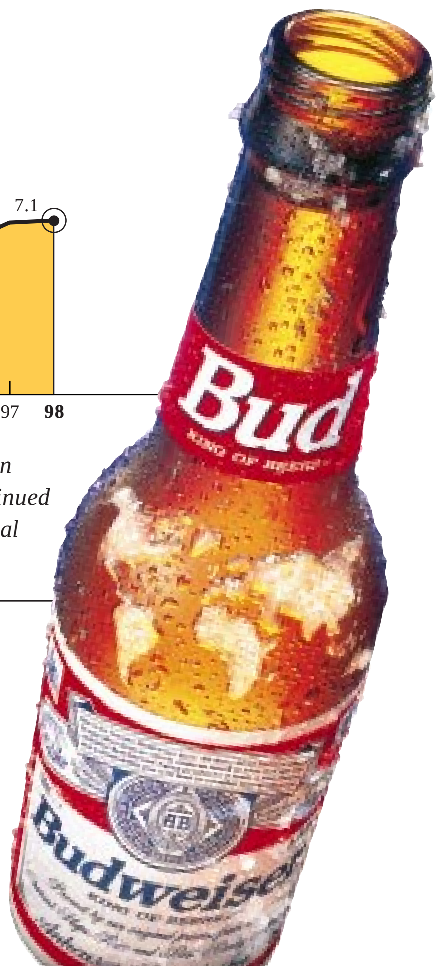
Although economic conditions in Asia limited overall international volume growth of Anheuser-Busch brands to about 1%, our growth in other regions was more consistent with past performance and expectations. Volume in the Americas, excluding the United States, rose more than 7%, and volume in Europe grew slightly more than 9%. Excluding Asia, overall international volume increased 6.5% and earnings were up 8%.

We continue to follow a two-pronged strategy for international growth: to develop Budweiser into a leading international premium beer brand, and to build a portfolio of equity partnerships with leading brewers in high-growth markets.

TOTAL INTERNATIONAL
A-B BEER BRAND VOLUME
1988 – 1998
(in millions of barrels; excludes equity volume)



Sales growth *Despite economic difficulties in some international markets, A-B brands continued their upward sales trend, at an average annual growth rate of 13%.*



Budweiser: the world's beer

In 1998, we made progress in developing Budweiser in our overseas markets. Budweiser either gained or held share in the international beer categories in the foreign markets where Budweiser is sold, including Asia.

Budweiser is brewed locally in 11 countries, and Anheuser-Busch brands are sold in more than 80 countries.

We build international demand for Budweiser in three ways.

First, we capitalize on Budweiser's taste and consistently high quality by strictly enforcing product freshness standards throughout the supply chain. This includes lowering beer inventories in transit, producing Budweiser locally whenever possible, and storing beer in environmentally controlled warehouses.

Second, we are building strong distribution systems around the world to ensure that our brands are readily available to our customers. In a number of markets, we are hiring our own personnel dedicated to selling Budweiser; gaining cooperation from business partners to form exclusive selling teams for our products; and fielding special merchandising teams in on-premise and in-store accounts.

Third, we are reinforcing Budweiser's international image through global and local advertising and sponsorships. These efforts

Bud and the Cup *Budweiser, the world's most popular beer, renewed its sponsorship of the World Cup, the world's most popular sporting event, through 2006.*

Bud in Argentina *Budweiser is attracting growing numbers of consumers in Argentina, one of South America's largest beer markets. Budweiser's sales rose 32% in Argentina in 1998.*

include sponsorship of the World Cup, the world's most popular sporting event. In 1998, we renewed our sponsorship of the World Cup through 2006. We sponsor the Copa America Soccer Championships in Latin America and the Budweiser Irish Derby, one of Europe's richest horse races. Budweiser also holds worldwide sponsorship rights for the National Basketball Association. Our advertisements can be seen on global networks such as CNN-International and ESPN-International.

UK and Ireland: Budweiser strongholds

Some of our strongest international results continue to come from the United Kingdom, one of the largest markets for Budweiser outside of the United States. In 1998, Budweiser strengthened its position as the leading premium packaged lager with a 19% share of that category.

Bud Ice, introduced in the United Kingdom in 1996, continues to perform well and is the No.2 ice beer in the country. After successful test-marketing in 1998, Bud Light will be introduced nationally in 1999.

In the Republic of Ireland, Budweiser is prospering under the management of Guinness Ireland, our license brewing partner. A 12% increase in sales—the 13th consecutive year of double-digit sales increases for Budweiser in Ireland—made Budweiser the top-selling lager beer with a 33% share of the lager category. The lager beer market in Ireland is equal in size to the stout, or dark ale, category.

Budweiser also performed impressively in our core continental European countries of Italy, Spain, France and Greece. Budweiser is gaining distribution, sales volume and market share through strong partnerships with local brewers.

Budweiser's biggest market outside the United States in terms of volume is Canada, where we have a longstanding partnership with Labatt Brewing Company. Canadian sales of Budweiser rose 10% and Budweiser's share of the packaged beer market increased to 10%.

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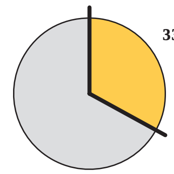
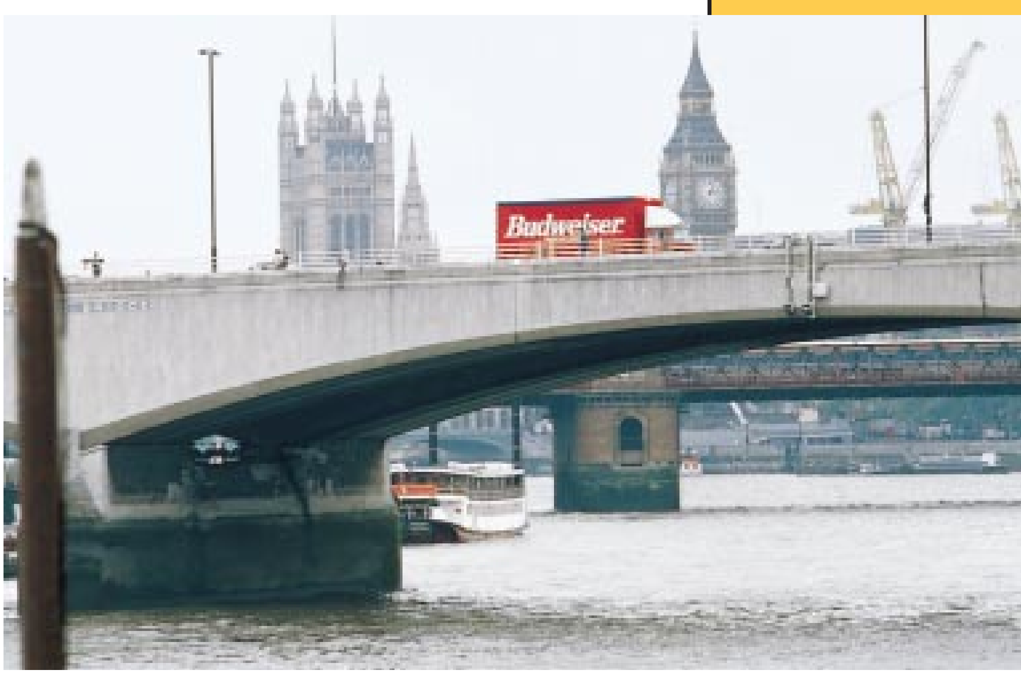
BUDWEISER SHARE OF IRISH LAGER MARKET



Category leader *Budweiser is the best-selling lager beer in Ireland, where it has enjoyed 13 consecutive years of double-digit sales increases.*



Budweiser: part of the London scene *The Budweiser name is becoming a familiar sight in London. Bud is produced in Mortlake, West London, at a brewery where operations are 100% owned by Anheuser-Busch. The United Kingdom is one of Budweiser's biggest international markets. The brand is the leading premium packaged lager in that country.*

B Efforts focusing on local marketing and production have made Budweiser the No. 1 premium packaged lager in the UK

As consolidation and mergers occurred over the next 15 years of Budweiser's growth, we assumed full control of Budweiser's sales and marketing. The campaign evolved to positioning Budweiser as "The Genuine Article" featuring the long-necked American bottle, and we fielded our own sales force throughout the United Kingdom.

In 1995, we entered into a 50/50 brewing joint venture with Scottish Courage (the UK's largest brewer), where Budweiser was brewed. We increased our ownership to 100% when we purchased Scottish Courage's interest in the joint venture in 1997.

Today, Budweiser's taste and image appeal has evolved to place it at the top of the premium packaged lagers with sales exceeding 1.4 million barrels. In 1997, we successfully extended the Bud family to include Bud Ice and we will roll out Bud Light countrywide in early 1999.

INVESTING IN OUR FUTURE:

>United Kingdom

A Budweiser faced a challenge in appealing to the tastes of UK consumers

When Budweiser was first introduced in the United Kingdom in 1981, lager beer was served at a relatively high temperature, and Budweiser's cold, clean and lighter taste did not immediately appeal to the mainstream consumer.

We found a partner in Watney-Mann who shared our belief in the long-term appeal of Budweiser's refreshingly different taste. A license-brewing launch, featuring Budweiser-labeled refrigerators and a "four degrees cooler" advertising focus, obtained a small but growing critical mass of customers.

continued from

Agreements with leading local brewers helped Budweiser continue to make inroads in Argentina, Brazil and Mexico, which account for 75% of the beer industry volume in Latin America. In Argentina, where we have a license agreement with the Argentine subsidiary of Compañía Cervecerías Unidas (CCU), Budweiser sales were up 32%. Budweiser is the leading international brand in Brazil, where we are equity partners with Antarctica. Through our partnership with Grupo Modelo, sales to retailers of Budweiser and Bud Light in Mexico were up more than 20%, and both brands continue to dominate the small but growing imported-beer segment. Budweiser is also the top-selling international brand in Colombia, Honduras and Paraguay.

Budweiser sales gained momentum in the Philippines, where we completed the second year of a license agreement with Asia Brewery. Thanks to excellent penetration of the on-premise segment, Budweiser sales increased 31%. Budweiser is the largest-selling premium beer brand in the Philippines.

Sales growth did not meet expectations in most of Asia. Korea's economy suffered severely in late 1997 and early 1998, and our sales have yet to rebound. A softer economy and currency devaluation resulted in slightly lower sales in Taiwan.

Severe flooding in east central China slowed Budweiser's sales momentum. Aggressive discounting and price reductions by competitors in the second half of 1998 also affected sales. Nevertheless, we sold 1 million barrels of Budweiser in China, and Budweiser gained share in the premium international beer segment. We doubled the capacity of our brewery in Wuhan and have established excellent relations with our employees and the government.

In Japan, Budweiser continued to dominate the foreign beer segment with a 63% share and maintained its 1% share of the overall market. But results were far below expectations. Japan is one of the most profitable beer markets in the world, and we have revised our strategy so we can compete there more effectively.

continued on

Expanding Budweiser in Japan
Anheuser-Busch has extended the Budweiser family in Japan to include Budweiser Fine Malt, a 100% malt beer.

INVESTING IN OUR FUTURE:

> China

A

Anheuser-Busch was the first major brewer to act on the huge potential of the Chinese market

The overall Chinese beer market continues to grow and is expected to exceed the U.S. beer market by 2005. The sheer size and potential of the Chinese market has attracted entries by all of the major international brewers, creating a very dynamic and competitive marketing environment.

Anheuser-Busch's foresight to enter the Chinese market dates to 1993 when we purchased a small interest in a Chinese brewery. Budweiser established a strong local presence in China beginning in 1995 with the acquisition of the Zhongde Brewery in Wuhan, China. The brewery, now known as Budweiser Wuhan International Brewing Co. Ltd., is owned 86.6% by Anheuser-Busch, with the remaining interest held by Chinese partners.

B

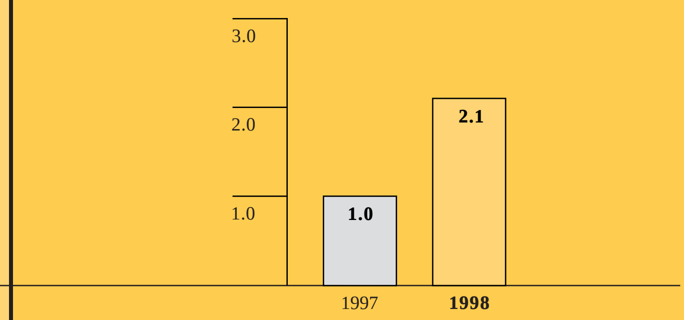
Today, Anheuser-Busch has built a solid foundation for significant long-term earnings in China

The capacity of this facility was doubled to 2.1 million barrels last summer, increasing Anheuser-Busch's capital investment in China to more than $150 million. This expansion and facility upgrade incorporates U.S. innovations in wastewater management and environmental compliance, reflecting our corporate worldwide commitment to protecting the environment.

This world-class facility supports our Budweiser marketing and selling efforts, which consist of a dedicated Budweiser sales force and a strong network of independent wholesalers in 27 key markets throughout China. Since its introduction in May 1995, Budweiser has established a strong position as the leading premium foreign brand with annual sales of 1 million barrels.

In the last four years, we have built a solid foundation for our China business with a talented local team, a strong wholesaler network, and a loyal retailer and consumer franchise. We are confident of very significant earnings potential in the long term.

ANHEUSER-BUSCH BREWING CAPACITY IN CHINA
(millions of barrels)



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We now will compete in all price and taste segments of the Japanese market by selling three brands of beer. Budweiser will continue to be our flagship brand and will be targeted at the consumer of foreign beer. In February 1999, we rolled out Budweiser Fine Malt, a 100% malt beer that appeals to the mainstream Japanese taste profile, which accounts for about 83% of beer sales. We introduced Buddy's brand in June 1998 in the happoshu category, which accounts for 15% of industry sales and is growing. The happoshu category consists of of beers having a low malt content and which benefit from a reduced tax rate. They are priced approximately 30% below regular beer.

With a more streamlined business structure and a full portfolio of brands, Budweiser Japan is better positioned for growth. In addition to exporting beer from the United States, we are continuing our joint venture with Kirin to capitalize on its production and distribution systems. Kirin has begun producing Budweiser at its Tochigi brewery, which will ensure that the freshest beer reaches the consumer while reducing foreign exchange rate risks.

Strengthened partnerships

In 1998, we made a number of significant strides in our equity partnerships, the second part of our two-pronged strategy.

For example, we exercised our final option to raise our direct and indirect ownership in Diblo, the operating company of Modelo, Mexico's leading brewer, to 50%. Modelo's earnings grew by more than 20% in inflation-adjusted terms in 1998. Our investment in Modelo is expected to be a significant source of long-term profit growth.

Similar to our actions with Modelo, we raised our stake in CCU-Argentina from 4.4% to 8.2%. CCU sells Budweiser extensively in Argentina, a strong growth market. We have options to increase our stake in CCU-Argentina to 20% by 2002.

In Canada, we restructured our 18-year alliance with Labatt, granting Labatt the long-term right to continue producing and selling Budweiser and Bud Light in Canada. In return, Labatt will significantly increase the marketing support for these brands and will give Anheuser-Busch a greater share of the associated profits. Anheuser-Busch will continue to oversee Labatt's brewing and marketing of these brands in Canada.

We expanded capacity at breweries we operate in two key markets, the United Kingdom and China. In the United Kingdom, the world's sixth-largest beer market, we produce Budweiser at the Budweiser Stag Brewery in Mortlake, West London. We are completing the expansion of the brewery's capacity to 1.9 million barrels to meet growing demand for our beers. In China, which is expected to surpass the United States as the world's

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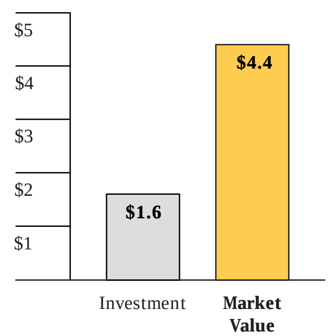
GRUPO MODELO MARKET VALUE AS OF DECEMBER 31, 1998
(in billions)



Increased value *The market value of our share in Mexico's Grupo Modelo is almost triple our investment.*

Budweiser a hit with Canadians
Canada is one of Budweiser's strongest international markets. Budweiser sales rose 10% and Budweiser's share of the packaged beer market increased to 10%.

INVESTING IN OUR FUTURE:

> Mexico

B Investment in Modelo, Mexico's leading brewer, gives A-B a large and growing source of revenue

Our investment in Modelo has proven to be very successful. Modelo's domestic and export volume is growing, and its Corona brand is the top-selling import in the United States.

What has this meant to our bottom line? Our stake in Modelo helped generate $50.3 million in after-tax equity income for Anheuser-Busch in 1997 and $85 million in 1998. These figures are expected to rise over the long term because of Modelo's strong operating performance and our larger ownership share.

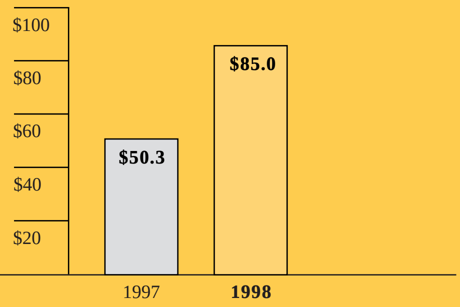
Our total investment in Modelo is $1.6 billion. As of the end of 1998, this investment had a market value of $4.4 billion, an increase of $2.8 billion.

A We identified Mexico as a long-term source of sales growth

Our largest foreign investment is in Grupo Modelo, Mexico's leading brewer. In September, we completed the exercise of our remaining Modelo options, purchasing an additional 13% stake to bring our total direct and indirect ownership in Diblo, the operating company of Modelo, to 50%.

Earlier in this decade, we identified Mexico as a key investment opportunity. Mexico is the world's seventh-largest beer market. More than a fourth of its population will be in the 21-35 year-old age group—the group that consumes beer most—by the year 2000, ensuring a long-term source of sales growth. Grupo Modelo is the leading brewer with a domestic market share of 55%

AFTER-TAX EQUITY INCOME (PRIMARILY FROM MODELO)
(in millions)



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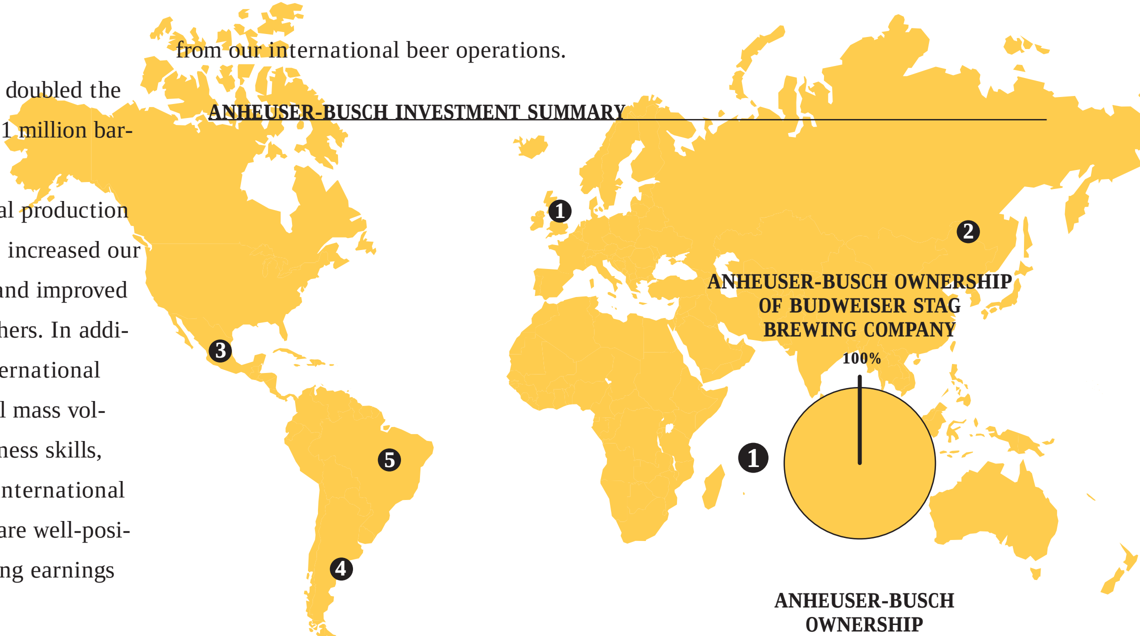
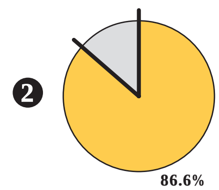
largest beer market by 2005, we doubled the capacity of our Wuhan brewery to 2.1 million barrels.

In 1998, we broadened our local production base in key areas around the world; increased our ownership stake in major brewers; and improved our licensing arrangements with others. In addition to these achievements, our international operations continue to build critical mass volume, strengthen international business skills, and develop a strong, experienced international management team. As a result, we are well-positioned to generate steadily increasing earnings from our international beer operations.

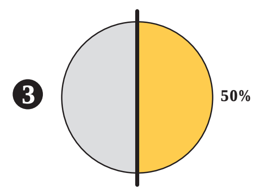
ANHEUSER-BUSCH INVESTMENT SUMMARY



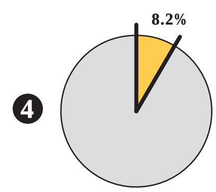
ANHEUSER-BUSCH OWNERSHIP BUDWEISER WUHAN



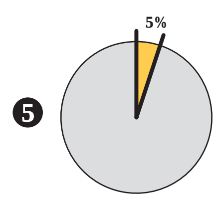
ANHEUSER-BUSCH EQUITY INVESTMENT GRUPO MODELO



ANHEUSER-BUSCH EQUITY INVESTMENT CCU-ARGENTINA



ANHEUSER-BUSCH EQUITY INVESTMENT ANTARCTICA EP



Anheuser-Busch International—Budweiser Business Partnership/Investment Summary

Country	*Brewer*	*Business agreement*
Argentina	Compañía Cervecerías Unidas S.A.—Argentina (CCU-Argentina)	Local Budweiser Brewing, Joint Marketing, Equity Investment (8.2%)
Brazil	Companhia Antarctica Paulista	Local Budweiser Brewing, Marketing Joint Venture (51%), Equity Investment (5%)
Canada	Labatt Brewing Company, Ltd.	Local Budweiser and Bud Light Brewing, Joint Marketing
Central America		
• Costa Rica	Cervecería Costa Rica	Import, Distribution
• El Salvador	La Constancia	
• Guatemala	Cervecería Centroamericana	
• Honduras	Cervecería Hondureña	
• Panama	Cervecería Nacional	
China	Budweiser Wuhan International Brewing Company, Ltd.	A-B Owned Brewery (86.6%)
China	Tsingtao Brewery Co. Ltd.	Equity Investment (5%)
France	Brasseries Kronenbourg	Import, Distribution
Italy	S.P.A. Birra Peroni Industriale	Local Budweiser Brewing, A-B Marketing
Japan	Kirin Brewery Company, Ltd.	Local Budweiser Brewing, Sales/Marketing Joint Venture (90%)
Mexico	Grupo Modelo, S.A. de C.V.	Import, Distribution, Equity Investment 50% (direct and indirect)
Philippines	Asia Brewery, Inc.	Local Budweiser Brewing, A-B Marketing
South Korea	Oriental Brewery Co., Ltd.	Local Budweiser Brewing, Joint Marketing
Ireland	Guinness Ireland Ltd.	Local Budweiser Brewing, Joint Marketing
Spain	Sociedad Anónima Damm (Cervezas Damm)	Local Budweiser Brewing, Budweiser Operated Sales and Marketing
Switzerland	Feldschlösschen	Local Distribution and Packaging
United Kingdom	Budweiser Stag Brewing Company Limited	A-B Operated Brewery, A-B Operated Sales and Marketing

INVESTING IN OUR FUTURE:

> entertainment operations

Busch Entertainment continues to report record revenues in a highly competitive business.

The nine Anheuser-Busch Adventure Parks entertained more than 20 million guests and generated more than $116 million in profits in 1998. While attendance dipped slightly from 1997 levels, Busch Entertainment Corporation achieved its seventh consecutive year of record revenue and profit through cost control, aggressive discount management and strong in-park sales.

Three BEC parks—Sesame Place, Adventure Island and Water Country USA—set attendance records for the year. Also significant was the performance of BEC's two largest parks, SeaWorld Orlando and Busch Gardens Tampa Bay. Both parks exceeded attendance and profit estimates despite the addition of a major new theme park in the highly competitive central Florida market.

Worldwide news was made by Anheuser-Busch Adventure Parks throughout 1998. In

Thrill ride
Montu, one of the tallest and longest inverted roller coasters in the world, thrills guests who visit Busch Gardens in Tampa, Fla.

March, BEC introduced a new brand identity and logo for the SeaWorld family of parks, signifying the expansion and diversity the parks have experienced since their acquisition by Anheuser-Busch nearly a decade ago. Later in March, SeaWorld San Diego returned J.J., an orphaned California gray whale rescued and hand-raised by park staff, to the waters off Southern California. J.J. is the largest animal ever released to its natural habitat.

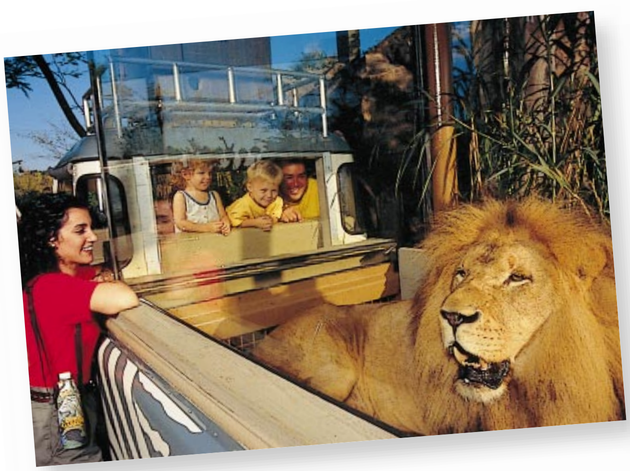
In the spring, SeaWorld Orlando unveiled the landmark Journey to Atlantis, a combination water ride, roller coaster and special effects attraction. Sesame Place near Philadelphia opened its first roller coaster. SeaWorld San Antonio initiated a unique program in which guests don wetsuits and enter the water with one of the ocean's most beautiful and intriguing animals, the beluga whale.

In August, Busch Gardens Williamsburg was named America's favorite theme park by the National Amusement Park Historical Association. September saw the announcement of a new BEC park in Orlando. When completed in 2000, the

continued on

SeaWorld
ADVENTURE PARKS
Orlando, San Antonio, Cleveland & San Diego

New look for SeaWorld *A new logo for the SeaWorld family of parks was adopted in 1998 to symbolize the growth of the parks since their acquisition by Anheuser-Busch nearly a decade ago.*



Exceptional entertainment *Busch Entertainment's adventure parks maintain the world's largest animal collection—65,000 mammals, birds, reptiles and fish—and feature lively entertainment for guests of all ages.*

INVESTING IN OUR FUTURE:

> Entertainment

A

Guests at Busch Entertainment's theme parks wanted more action

You're strapped into your chair for a ride on a simulated ski lift...with a twist.

Six of them.

Two minutes and 30 seconds later, you've executed four loops, a boomerang-style inversion and a 360-degree roll, been weightless at one point and pulled almost 4 g's at another, gone as fast as 67 mph, and dropped 17 stories.

Congratulations! You've just experienced Alpengeist, one of the world's most thrilling roller coasters, at Busch Gardens Williamsburg, America's favorite theme park.

Alpengeist and other new exciting rides at Busch Entertainment parks represent the realization of plans that began forming a decade ago. When Anheuser-Busch added the SeaWorld parks to its entertainment portfolio in the late 1980s, a survey conducted by the company showed that the public wanted more active entertainment experiences.

B

Conversion to "adventure parks" has led to long-term profit growth

Busch Entertainment took the initiative and embarked on a long-term strategy to create "adventure" parks. These would be places where guests would be thrilled by pulse-quickening rides and enjoy interaction with land and sea animals.

Rides such as Alpengeist, which opened in 1997, are the result. So are innovative interactive programs, including two that allow guests to enter the water with dolphins and beluga whales. And guests have reacted enthusiastically. A poll in a recent issue of an entertainment trade magazine ranked Alpengeist and two other Busch Entertainment steel roller coasters among the top four in the world. And after seven consecutive years as the National Amusement Park Historical Association's most beautiful theme park in America, Busch Gardens Williamsburg was voted America's favorite theme park in a survey of the association's members in 1998.

Results are showing on the bottom line, too. Busch Entertainment's profits grew at an average annual rate of 20 percent over a six-year period ending in 1997. In 1998, Busch Entertainment generated more than $100 million in operating profits for the second consecutive year.

TOP FIVE STEEL ROLLER COASTERS IN THE WORLD
(Source: Amusement Today)

1	Magnum XL-200	Cedar Point—Sandusky, Ohio
2	**Alpengeist**	**Busch Gardens—Williamsburg, Va.**
3	**Montu**	**Busch Gardens—Tampa, Fla.**
4	**Kumba**	**Busch Gardens—Tampa, Fla.**
5	Steel Force	Dorney Park—Allentown, Pa.

continued from

park will offer an exclusive day-resort experience that includes up-close interaction with animals such as dolphins, rays, tropical fish and exotic birds—the first park of its kind in the world.

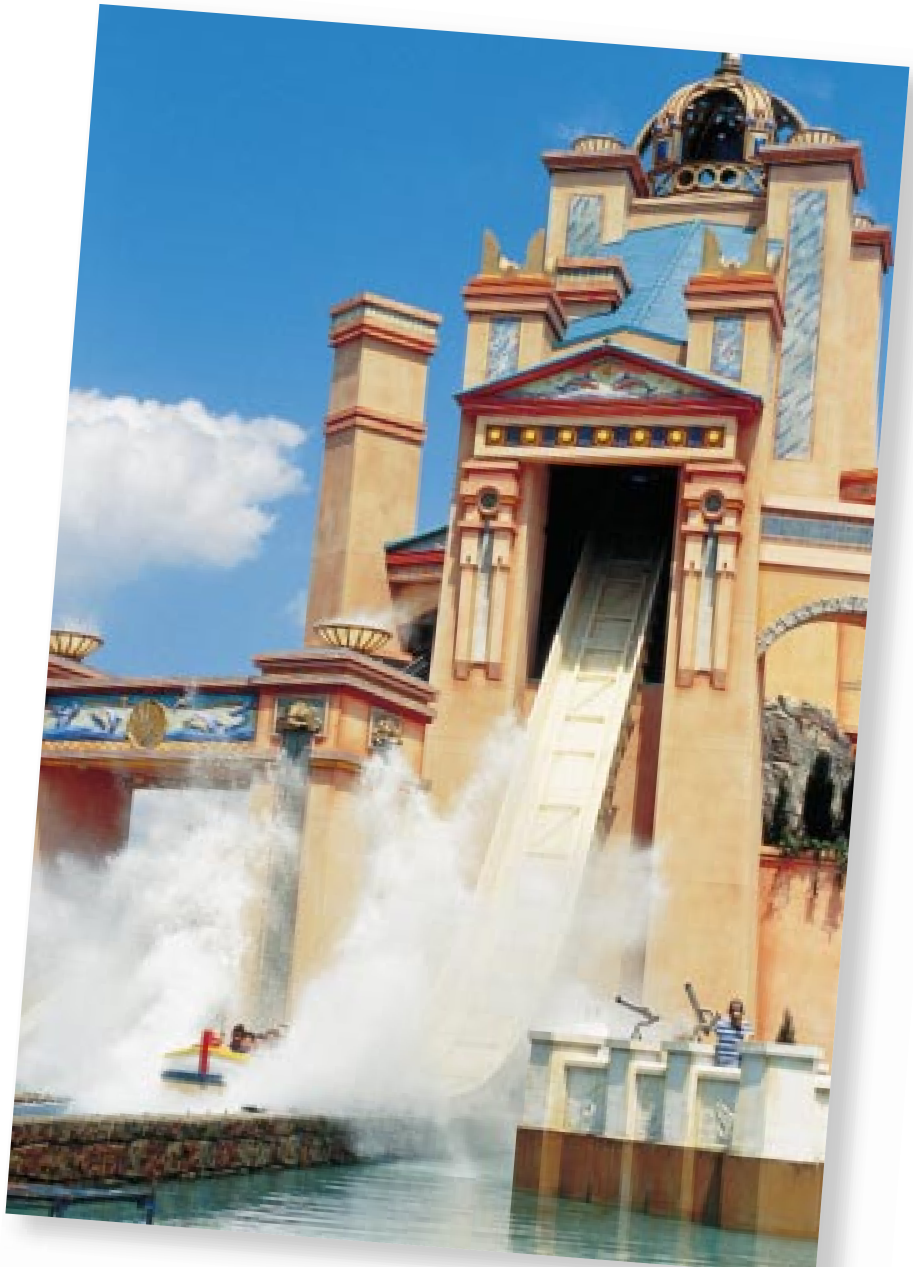
Ground was broken by BEC on four other attractions in 1998:

Gwazi: Busch Gardens Tampa Bay's massive double wooden roller coaster is named for a mythical African beast that is both lion and tiger. When completed, Gwazi will be one of the largest double wooden roller coasters in North America.

Shipwreck Rapids: SeaWorld San Diego's first adventure ride will be a new water rapids attraction that takes guests on a thrilling trip through a tropical island populated by castaways and exotic animals.

Apollo's Chariot: A "hypercoaster" with drops totaling more than 800 feet, Apollo's Chariot opens in 1999 at Busch Gardens Williamsburg. The coaster features periods of zero-G "airtime" in which riders are nearly weightless. Apollo's Chariot is the latest addition to a park known to roller coaster aficionados worldwide. Alpengeist, an inverted roller coaster at Busch Gardens, is the most thrilling in the United States, according to People Magazine and participants in a recent Discovery Channel Online poll.

Steel Eel: This will be the second roller coaster at SeaWorld San Antonio and the only hypercoaster in the Southwest. Steel Eel generates speeds of 65 mph and features an initial drop of 15 stories.



Splash of fun *Journey to Atlantis, a combination water ride, roller coaster and special effects attraction, opened at SeaWorld Orlando in 1998. It is the first attraction in the world to combine high-speed water ride and roller coaster elements with special effects.*

Education and conservation

More than 30 million people each year participate in education programs administered by the Anheuser-Busch Adventure Parks. Whether an in-park course on the natural history of penguins or an adventure camp in which young Busch Gardens guests learn how zookeepers care for rhinos and elephants, BEC parks strive to make learning fun.

BEC's education Web site at www.buschgardens.org and www.seaworld.org was honored in 1998 by Vice President Al Gore, the U.S. Department of Education and the White House Office of Technology as one of the finest educational locations on the Internet. Anheuser-Busch and BEC also received The Association of Educational Publishers' EdPress Star Award in 1998. This award honors companies not primarily engaged in education for creating exceptional business/educational initiatives. SeaWorld and Busch Gardens also produce Shamu TV, an Emmy Award-winning educational program for children delivered via satellite to classrooms across the nation and also rebroadcast on the Discovery Channel's Animal Planet.

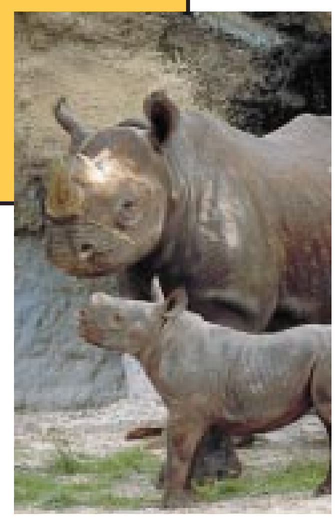
BEC's commitment to conservation comes in many forms. Care and study of endangered species in facilities accredited by the American Zoo and Aquarium Association have long been a priority in the Anheuser-Busch Adventure Parks. BEC also provides support for a variety of conservation organizations including Hubbs-SeaWorld Research Institute, American Oceans Campaign, The Nature Conservancy, Conservation International, The Isaac Walton League, The Conservation Fund, National Fish and Wildlife Foundation, National Audubon Society and National Wildlife Federation.

In addition to maintaining the world's largest animal collection—65,000 mammals, birds, reptiles and fish—the Anheuser-Busch Adventure Parks are recognized worldwide for aiding animals in distress. BEC parks cared for a record number of injured, orphaned and ill animals in 1998. El Nino disrupted food sources in the Pacific Ocean and spawned record rainfall and high seas, imperiling thousands of seals and sea lions. SeaWorld San Diego rescued more than 400 marine mammals in 1998.

SeaWorld Orlando continues to play a crucial role in the rescue and rehabilitation of critically endangered Florida manatees and sea turtles. As many as two dozen of the manatees are rescued and treated by park veterinarians and animal care specialists in an average year. Manatees deemed unreleasable by federal and state authorities are housed in state-of-the-art habitats in Orlando and San Diego.

BEC parks rescue, rehabilitate and return to the wild more animals than any other organization in the world today.

Animal conservation *Busch Entertainment is a leader in animal conservation. Rare species such as the black rhino (right) make their homes in BEC's parks. SeaWorld San Diego rescued more than 400 marine mammals in 1998 and released J.J. (shown above), an orphaned California gray whale rescued and hand-raised by park staff. J.J. is the largest animal ever released to its natural habitat.*



INVESTING IN OUR FUTURE:

> packaging operations

Anheuser-Busch's Packaging Group contributes significant revenues while holding down can costs for the beer company.

In 1998, the Packaging Group and its three major components (Metal Container Corporation, Anheuser-Busch Recycling Corporation and Precision Printing and Packaging, Inc.) improved their financial performance through business investments, volume increases and cost reductions. The Packaging Group reported record profits of more than $148 million.

The Packaging Group's 1998 performance benefited from capital improvements to production processes at several Metal Container Corporation (MCC) plants. MCC's investments also raised quality, improved information management and reduced costs. These upgrades resulted in MCC manufacturing 23 billion cans and 23 billion lids, up from 1997's output of 22 billion cans and 22 billion lids. MCC is the third-largest aluminum can manufacturer in the United States.

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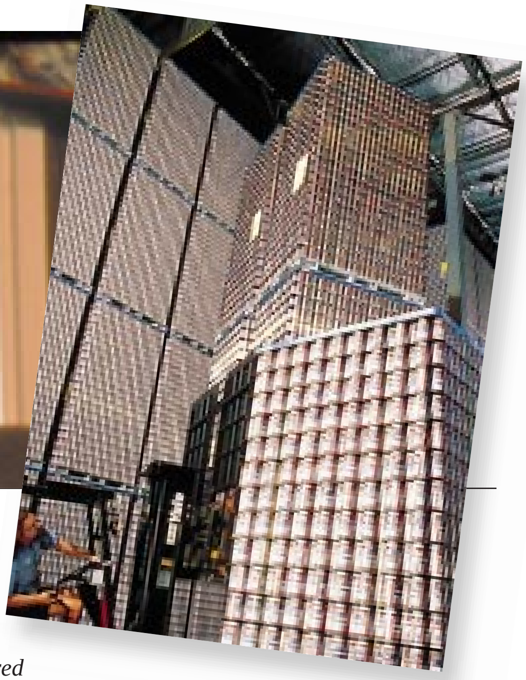


Manufacturer and recycler
The Packaging Group manufactured 23 billion cans and lids in 1998, while recycling the equivalent of 126% of the cans of Anheuser-Busch beer shipped domestically.

INVESTING IN OUR FUTURE:

> packaging

A

The challenge: how to prosper in a relatively flat industry

Consumer trends toward beer in bottles and soda in plastic containers have held annual demand for cans to 1%-2% increases over the last three years.

Expecting these trends to continue, the Packaging Group's Metal Container Corporation (MCC) re-examined its business to find ways to outperform the industry by improving quality, cutting costs and strengthening its competitive advantage.

In 1998, MCC expanded its Rome, Ga., can plant and Oklahoma City, Okla., lid plant in an ongoing focus on projects that improve quality and reduce costs.

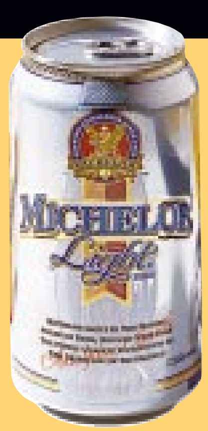
B

We focused on quality, innovation and costs to become the industry's leader in high quality and low cost

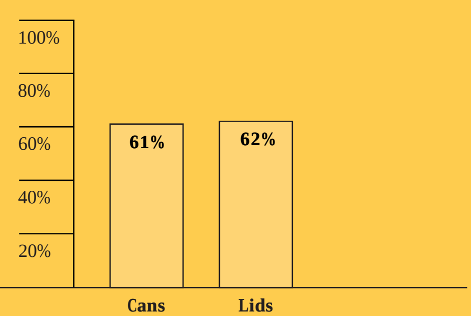
To ensure that MCC continues to lead the industry in container development, the Packaging Innovation Center was opened in 1997 to research improvements to beverage containers. Recent packaging innovations include an award-winning embossed new Michelob can; smoother pouring lids; can linings with improved glasslike flavor; and aluminum improvements leading to lighter and stronger cans and lids.

The new Michelob can received the "Can of the Year" award from The Canmaker and Canner trade magazine and the "Excellence in Quality" award from the National Metal Decorators' Association. The can, which is pictured on this page, has embossed sides and specially developed graphics. It will be available nationally in 1999.

Improvements and innovations such as the Michelob can complement other investments in facilities and equipment that began 10 years ago. The result: MCC has the newest and highest technological assets in the industry. It is also the highest-quality, lowest-cost producer of beverage cans, and is in an excellent position to continue to outperform its peers.



PERCENTAGE OF A-B DOMESTIC BEER CANS AND LIDS SUPPLIED BY METAL CONTAINER CORPORATION



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Packaging operations also added substantial value to Anheuser-Busch in 1998 by helping the beer company manage the cost, availability and quality of its can supply. Cans and lids are the most expensive cost component for Anheuser-Busch's domestic beer operations, representing more than 21% of cost of goods sold. In 1998, MCC—the highest-quality, lowest-cost can manufacturer in the industry—supplied 61% of the cans and 62% of the lids required for Anheuser-Busch's domestic beer. MCC is also a major supplier to the soft drink industry.

Anheuser-Busch Recycling Corporation (A-BRC), our aluminum can recycling subsidiary, continued its focus on expanding its customer base and reducing system costs to improve performance in 1998. A-BRC is making a major investment in information systems to better serve customers and suppliers and reduce administrative costs.

A-BRC is the world's largest can recycler. In 1998, the aluminum beverage can recycling rate fell because of declining consumer prices for recycled cans. Nevertheless, A-BRC recycled 670 million pounds of cans in 1998, or 126% of Anheuser-Busch beer cans shipped to U.S. markets.

Precision Printing and Packaging, Inc. (PPPI) continued to be the largest supplier of bottle labels to the beer industry. In 1998 PPPI produced more than 16.5 billion labels for the food, beverage and consumer product industries. The sale of its carton plant in Paris, Texas, allows PPPI to focus solely on its label operation in Clarksville, Tenn.

Plans to improve profitability

The Packaging Group is working to improve profitability through better quality, increased efficiency, higher volume and lower costs in 1999. At the same time, research into package improvements and new containers will continue at the Packaging Innovation Center, which opened in St. Louis in 1997. The center focuses on improving current packaging and developing new packaging materials and processes to provide a competitive advantage in customer satisfaction, quality and cost.

Can supplier *Metal Container Corporation, the third-largest aluminum can manufacturer in the United States, produces cans and lids for Anheuser-Busch and soft drink external customers.*

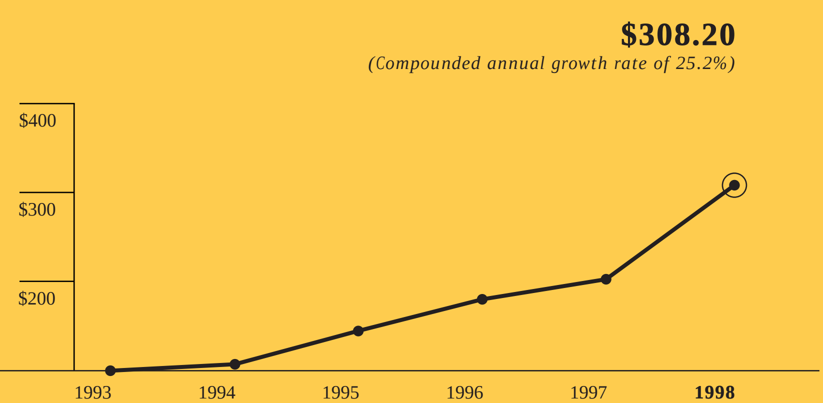
Largest can recycler *Anheuser-Busch Recycling Corporation is the world's largest can recycler. In 1998, A-BRC recycled 670 million pounds of aluminum cans.*

INVESTING IN OUR FUTURE:

> financial review

Contents

Our objectives to enhance shareholder value are to increase our share of domestic brewing industry profitability, continue the globalization of beer operations, and support profit growth in entertainment and packaging operations.



A-B STOCK CUMULATIVE TOTAL RETURN

(Assumes $100 invested in A-B stock on Dec. 31, 1993; all dividends reinvested quarterly)

Management's Discussion & Analysis of Operations & Financial Condition

INTRODUCTION

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity/cash flows of Anheuser-Busch Companies, Inc. for the three-year period ended December 31, 1998. This discussion should be read in conjunction with the Letter to Shareholders, Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in this annual report.

This discussion contains statements regarding the company's expectations concerning its operations, earnings and prospects. These statements are forward-looking statements that involve significant risks and uncertainties, and accordingly, no assurances can be given that such expectations will be correct. These expectations are based upon many assumptions that the company believes to be reasonable, but such assumptions may ultimately prove to be inaccurate or incomplete, in whole or in part. Important factors that could cause actual results to differ from the expectations stated in this discussion include, among others, changes in the pricing environment for the company's products; factors that may affect domestic demand for malt beverage products; changes in customer preference for the company's malt beverage products; regulatory or legislative changes; changes in raw materials prices; changes in interest rates; changes in foreign currency exchange rates; changes in attendance and consumer spending patterns for the company's theme park operations; changes in demand for aluminum beverage containers; changes in the company's international beer business or in the beer business of the company's international equity partners; and the effect of stock market conditions on the company's share repurchase program.

OBJECTIVES

Anheuser-Busch remains focused on achieving three major objectives in future years in order to enhance shareholder value:

1. Gaining an increased share of brewing industry profits in the United States by increasing unit profitability and market share in the longer term.

2. Continued globalization of beer operations by building the Budweiser brand worldwide and making selected investments in leading brewers in key international beer growth markets. The company has made significant marketing investments to build Budweiser brand recognition outside the United States and owns overseas breweries in China and the United Kingdom. In September 1998, the company increased its equity stake in Grupo Modelo's operating subsidiary, Diblo, to 50.2%. The company's total investment in Grupo Modelo is $1.6 billion at December 31, 1998.

3. Continued support of profit growth in existing packaging and entertainment operations. Metal Container Corporation, the company's can manufacturing subsidiary, provides significant efficiencies, cost savings and quality assurance for domestic beer operations. The company continues to invest in packaging technology, capacity improvements and quality driven cost reductions. The company's Busch Entertainment adventure park subsidiary is a significant contributor to corporate earnings and provides Anheuser-Busch with a unique opportunity to showcase its heritage, values and commitment to quality and social responsibility to over 20 million visitors annually.

CONTINUING OPERATIONS

Financial results for 1997 and 1996 were impacted by certain nonrecurring events which make meaningful comparisons among 1998, 1997 and 1996 more difficult. Those events are discussed below:

1. In March 1996, the company completed the sale of the St. Louis Cardinals which included Busch Memorial Stadium and several nearby parking garages and other properties in downtown St. Louis. The sale price was $150 million, resulting in a $54.7 million pretax gain ($.06 per share after-tax) which is shown as a separate line item in the income statement.

2. In June 1996, Anheuser-Busch completed the sale of most of its Eagle Snacks production facilities to Frito-Lay, a subsidiary of PepsiCo. Accordingly, the company adjusted its previously estimated loss provision for the disposition of its food products segment and recognized a $33.8 million after-tax gain ($.07 per share) in the second quarter 1996. This gain is reported entirely in discontinued operations and has no impact on financial results from continuing operations.

3. In the fourth quarter 1997, the company expensed all previously capitalized and unamortized business reengineering costs associated with the development and installation of computer software, in accordance with the change in accounting practice mandated by EITF No. 97-13. The total write-off was $10 million after-tax ($.02 per share), is shown as a separate "cumulative effect of accounting change" line item in the income statement and had no impact on the company's results from operations.

In order to facilitate a more complete and meaningful understanding of company operating results, key financial comparisons are presented in the following summaries and throughout this discussion on a "normalized" continuing operations basis only, which excludes the nonrecurring transactions discussed above.

Key financial comparisons from normalized continuing operations are summarized in the following tables.

Comparison of Operating Results

1998 vs. 1997 (in millions, except per share)

			1998 vs. 1997	
	1998	**1997**	**$**	**%**
Gross Sales	**$13,208**	$12,832	Up $376	Up 2.9%
Excise Taxes	**$1,962**	$1,766	Up $196	Up 11.1%
Net Sales	**$11,246**	$11,066	Up $180	Up 1.6%
Operating Income	**$2,125**	$2,053	Up $72	Up 3.5%
Equity Income, Net of Tax	**$85**	$50	Up $35	Up 68.7%
Income from Continuing Operations	**$1,233**	$1,179	Up $54	Up 4.6%
Diluted Earnings Per Share from Continuing Operations	**$2.53**	$2.36	Up $.17	Up 7.2%

1997 vs. 1996 (in millions, except per share)

	1997	1996	1997 vs. 1996	
		Normalized Operations	$	%
Gross Sales	$12,832	$12,622	Up $210	Up 1.7%
Excise Taxes	$1,766	$1,738	Up $28	Up 1.6%
Net Sales	$11,066	$10,884	Up $182	Up 1.7%
Operating Income	$2,053	$2,029	Up $24	Up 1.2%
Equity Income, Net of Tax	$50	-	Up $50	N/M
Income from Continuing Operations	$1,179	$1,123	Up $56	Up 5.0%
Diluted Earnings Per Share from Continuing Operations	$2.36	$2.21	Up $.15	Up 6.8%

N/M -Not Meaningful

1996 vs. 1995 (in millions, except per share)

	1996	1995	1996 vs. 1995	
	Normalized Operations	Normalized Operations	$	%
Gross Sales	$12,622	$12,131	Up $491	Up 4.0%
Excise Taxes	$1,738	$1,683	Up $55	Up 3.3%
Net Sales	$10,884	$10,448	Up $436	Up 4.2%
Operating Income	$2,029	$1,867	Up $162	Up 8.7%
Income from Continuing Operations	$1,123	$1,032	Up $91	Up 8.8%
Diluted Earnings Per Share from Continuing Operations	$2.21	$1.99	Up $.22	Up 11.1%

Sales and Beer Volume

Total worldwide beer sales volume results are summarized in the following table:

Worldwide Beer Sales Volume (barrels in millions)

	1998	*1997*	*Change*	*1997*	*1996*	*Change*	*1996*	*1995*	*Change*
Domestic	**92.7**	89.6	Up 3.5%	89.6	88.9	Up 0.7%	88.9	85.5	Up 4.0%
International	**7.1**	7.0	Up 0.6%	7.0	6.2	Up 13.4%	6.2	5.4	Up 15.5%
Worldwide A-B Brands	**99.8**	96.6	Up 3.3%	96.6	95.1	Up 1.6%	95.1	90.9	Up 4.7%
International Equity Partner Brands	**11.2**	6.8	Up 64.9%	6.8	4.0	Up 70.7%	4.0	3.7	Up 8.1%
Total Brands	**111.0**	103.4	Up 7.3%	103.4	99.1	Up 4.3%	99.1	94.6	Up 4.8%

Worldwide Beer Volume

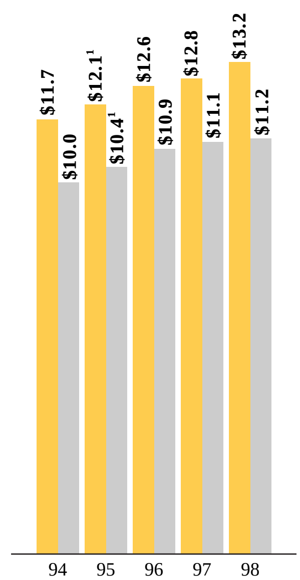
Worldwide Anheuser-Busch beer volume is comprised of domestic volume and international volume of Anheuser-Busch brands. Domestic volume represents A-B brands produced and shipped within the United States. International volume represents exports from the company's U.S. breweries to markets around the world, plus Anheuser-Busch brands produced overseas by company-owned breweries in China and the United Kingdom and under license and contract brewing agreements. Budweiser and other Anheuser-Busch beer brands are sold in more than 80 countries worldwide. Total volume includes the company's pro rata share of volume in international equity partners Grupo Modelo and Antarctica combined with worldwide Anheuser-Busch brand volume.

SALES*

(in billions)

Gross sales

Net sales



[1] *Normalized results, excluding impact of the beer wholesaler inventory reduction. Reported gross and net sales were 12.0 and 10.3, respectively.*

* *The difference between gross sales and net sales represents beer exise taxes.*

1998 vs. 1997

Anheuser-Busch achieved record gross sales of $13.2 billion and record net sales of $11.2 billion in 1998. These results represent a gross sales increase over 1997 of $376 million, or 2.9%, and a net sales increase over 1997 of $180 million, or 1.6%. The increases are primarily due to higher domestic beer volume. For 1998, sales and excise taxes include the impact of accounting for the Stag Brewery operations in the United Kingdom on a consolidated basis vs. equity accounting in 1997. The difference between gross and net sales for 1998 represents beer excise taxes of $2.0 billion.

Worldwide volume for Anheuser-Busch beer brands was up 3.3% for 1998, compared to the prior year. Total volume, which combines equity volume (representing the company's share of its foreign equity partner barrelage) with worldwide Anheuser-Busch brand volume, was up 7.6 million barrels, or 7.3%, for the year. International equity partner brands reflects the company's 37% ownership interest in Grupo Modelo brands for the first nine months of 1998 and 50.2% for the fourth quarter, compared to a combination of 17.7% ownership interest for the first five months of 1997 and 37% thereafter.

Anheuser-Busch's strategy to reduce domestic price discounting initiated at the beginning of 1998 was successful. This strategy was designed to increase revenues, reduce the spread between front-line and discounted prices to consumers, and protect the company's brand equities. In October 1998, the company initiated a revenue enhancement strategy of selective price increases and additional discount reductions based on a market-by-market assessment of competitive conditions. As a result of these and other actions, domestic revenue per barrel was up nearly 3% in the fourth quarter 1998 compared to the same period last year, and was level for the full year compared to 1997. This improved pricing environment, along with good volume growth trends, are expected to support accelerated revenue and profit growth in 1999.

Anheuser-Busch domestic beer shipments grew 3.5% during 1998, reflecting strong retail demand. Overall, sales-to-retailers were up 4% for the year. Combined Bud and Bud Light sales-to-retailers increased 3.4% for 1998 compared to 1997, the best performance this decade. This growth was led by Bud Light, which had its seventh consecutive double-digit growth year.

The company's domestic market share (excluding exports) for 1998 was 46.4%, an increase of 0.8 market share points over 1997 market share of 45.6%. Including exports, the company's share of U.S. shipments was 46.2% vs. 45.4% for 1997. Domestic market share and share of U.S. shipments are determined based on industry sales estimates provided by the Beer Institute. Anheuser-Busch has led the U.S. brewing industry in sales volume and market share since 1957.

International Anheuser-Busch brand volume (excluding equity partner brands) was up 0.6% in 1998 compared to last year. Strong Budweiser sales performances in the United Kingdom, Ireland, Continental Europe and Canada were mostly offset by sales declines in Asia.

In Japan, Anheuser-Busch performance has been impacted by lower industry sales due to the current economic recession and introduction of a tax-advantaged "happoshu" beer category. Anheuser-Busch has introduced its own happoshu beer to participate in this growing segment and completed a significant restructuring of its sales force. The restructuring resulted in a one-time pre-tax charge of $8.6 million, or $.01 per share after-tax, in the fourth quarter 1998. The restructuring will result in significantly lower costs and should lead to improved performance in 1999.

In June 1998, the company restructured its alliance granting Labatt Brewing Company perpetual rights to brew and sell the Budweiser and Bud Light brands in Canada. In return, Labatt will significantly increase marketing support behind the two brands and provide Anheuser-Busch with a greater share of associated profits. Budweiser is currently the third-largest-selling beer in Canada.

During the second quarter of 1998, the company completed its expansion of the Wuhan brewery in China. The expansion doubles Wuhan's capacity, bringing it to 2.1 million barrels. The company is also expanding its brewery in London which will increase capacity to 1.9 million barrels when completed in 1999.

1997 vs. 1996

Gross sales were $12.8 billion and net sales were $11.1 billion in 1997, representing increases of $210 million and $182 million, respectively, or 1.7%, compared to 1996. The difference between gross and net sales for 1997 represents $1.77 billion of beer excise taxes.

The primary factors responsible for the sales increases were higher domestic and international beer sales volume, partially offset by increased price discounting in the domestic beer market, and increased sales from the company's theme park operations. Theme park operations experienced an attendance increase of approximately 7% in 1997 vs. 1996, to nearly 21 million visitors, and also attained higher in-park per capita revenues.

The increase in domestic volume during 1997 was driven by Bud Light, which was up approximately 10%, and improved Budweiser trends. Total Bud Family sales-to-retailers were up almost 2% in 1997 compared to 1996.

Anheuser-Busch's domestic market share (excluding exports) for 1997 was 45.6%, compared to 45.5% in 1996. Anheuser-Busch's share of shipments (including exports) for 1997 was 45.4%, up slightly compared with 1996 share.

Operating performance for 1997 was significantly impacted by aggressive price discounting initiated by competition, which began in the first quarter and became progressively deeper throughout the year. Anheuser-Busch responded with comparable levels of discounting to keep its brands price-competitive and protect its market share, and the pricing environment had stabilized by the end of the year.

Volume trends were favorable for the company's core premium brands in 1997 as consumers traded up to premium and higher-priced brands. Bud Light continued its double-digit growth. The company's quality initiatives, including a freshness advertising campaign and a renewed focus on Anheuser-Busch's 145 year heritage of quality and excellence, enhanced the company's quality perception among consumers.

Total international beer volume growth was strong for 1997, led by combined Budweiser sales volume increases in China and the United Kingdom of 44% for the full year. Significant gains in volume produced overseas in 1997 were partially offset by reduced exports from the company's U.S. facilities due in part to discontinuing Kirin Ice shipments to Japan and lower shipments of Michelob Classic Dark to Taiwan.

Total international volume, excluding equity partner volume, was up 13.4% for the year. Budweiser volume outside the United States was up 18.3% for 1997 vs. 1996.

1996 vs. 1995

Anheuser-Busch had gross sales during 1996 of $12.6 billion, an increase of $491 million, or 4.0%, over 1995 gross sales of $12.1 billion. Gross sales include $1.74 billion in federal and state beer excise taxes for 1996. Net sales for 1996 were $10.9 billion, an increase of $436 million, or 4.2%, over 1995 net sales of $10.4 billion.

The increase in gross and net sales in 1996 was driven primarily by increased beer sales volume, higher net revenue per barrel and higher theme park revenues.

Beer volume in 1995 was negatively impacted by a reduction in beer wholesaler inventory levels. Excluding the inventory reduction, 1996 beer volume would have increased 2.3 million barrels, or 2.7%, over 1995. During 1996, Anheuser-Busch's core premium and super-premium brands (the Budweiser and Michelob Families) gained momentum, with Bud Light growing at an annualized double-digit pace. Overall, Bud Family sales were up almost 4%.

Domestic market share (excluding exports) was 45.5% in 1996, compared to 44.7% in 1995, an increase of 0.8 market share points. Including exports, the company's share of U.S. shipments in 1996 was 45.3%, an increase of 1.2 share points compared to 1995 share of 44.1%. Excluding the impact of the wholesaler inventory reduction, Anheuser-Busch's share of 1995 U.S. shipments would have been 44.4%.

The company's international beer volume was up 15.5% in 1996 compared to 1995, led by Budweiser sales expansion in the United Kingdom, Ireland and Japan. However, profit contribution was down slightly in 1996 compared to 1995 due to substantially higher investment spending on marketing for global Budweiser brand building and having a full year of operating results (losses) for the Wuhan brewery included in 1996 vs. only partial year results in 1995.

Cost of Products and Services

The company strives to continuously drive operating costs out of its system. Brewery modernizations yield long-term savings through reduced beer packaging and shipping costs and reduced maintenance and equipment replacement costs. The company's focused production initiative and wholesaler support centers concentrate small-volume brand and package production at three breweries to create production efficiencies, reduce costs and enhance responsiveness to changing consumer brand/package preferences. Also, the company is working with its network of wholesalers to reduce distribution costs through systemwide coordination.

Cost of products and services was $7.16 billion in 1998, an increase of $66 million, or 0.9%, compared to 1997. The change in costs of products and services in 1998 is primarily due to increased beer volume, the change in the method of accounting for the Stag Brewery operation (consolidation in 1998 vs. equity accounting in 1997) and improved brewery operating efficiencies.

In 1997, before the Stag Brewing Company Ltd. was 100% owned by Anheuser-Busch, the company accounted for its 50% share of the operations under the equity method and excise taxes paid on beer sold were included in the cost of beer purchased from Stag. In 1998, under full consolidation accounting, excise taxes are shown as a deduction from gross sales.

Gross profit as a percentage of net sales was 36.3% for 1998, an increase of 0.4 percentage points vs. 1997, primarily reflecting productivity improvements.

Cost of products and services in 1997 was $7.10 billion, an increase of 1.9% compared to 1996. The increase in cost of products and services in 1997 is attributable to slightly higher materials costs plus costs associated with increased beer sales volume and theme park attendance. Gross profit as a percentage of net sales was 35.9% for 1997, a decrease of 0.1 percentage points compared to 36.0% for 1996, due to slightly lower revenue per barrel in 1997.

Cost of products and services for 1996 was $6.96 billion, a 2.1% increase over the $6.82 billion reported for 1995. The increase in the cost of products and services in 1996 is attributable to increased beer sales volume and increased raw materials costs, particularly brewing materials, partially offset by increased production efficiency savings and lower scrap aluminum prices related to recycling operations. Gross profit as a percentage of net sales in 1996 increased 1.3 percentage points, compared to 34.7% for 1995.

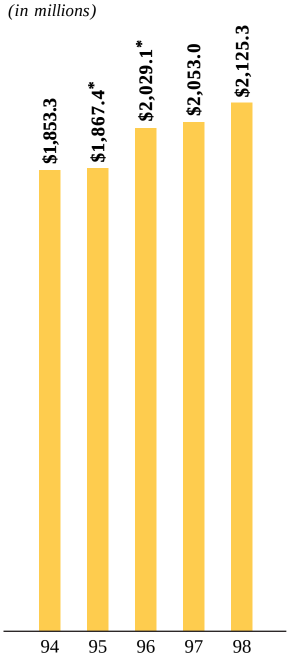
Marketing, Distribution and Administrative Expenses

Marketing, distribution and administrative expenses for 1998 were $1.96 billion, an increase of $42 million, or 2.2% compared to 1997. The increase is primarily due to higher domestic and international marketing expense in support of premium brands, primarily the Bud Family, partially offset by reduced general and administrative costs.

Marketing, distribution and administrative expenses for 1997 were $1.92 billion, compared with $1.89 billion for 1996, an increase of $26 million, or 1.4%. The increase for 1997 is principally due to marketing costs related to the company's international beer activity, costs related to increased theme park attendance, additional costs due to an increase in the number of company-owned beer wholesale operations and increased administrative expenses, partially offset by lower promotional spending compared to 1996 when the Summer Olympic Games were held in Atlanta. Marketing, distribution and administrative expenses for 1996 increased 7.6% compared to 1995, due primarily to sponsorship of the Olympics, increased spending to support accelerated volume growth for premium brands and global Budweiser brand-building initiatives.

OPERATING INCOME

(in millions)



* *Normalized results, excluding one-time nonrecurring transactions and events. Reported operating income for 1996 and 1995, which includes all nonrecurring transactions and events, was $2,083.8 and $1,632.9, respectively.*

Operating Income

Operating income represents the measure of the company's financial performance before net interest cost, other nonoperating items and equity income.

Operating income for 1998 was $2.13 billion, an increase of $72 million, or 3.5%, over last year. The increase in operating income for the year is primarily due to higher domestic beer sales volume and higher operating results from can manufacturing and entertainment, partially offset by weaker results from international beer operations.

Packaging operations generated approximately $150 million in operating income in 1998, a significant improvement vs. the prior year, due to higher soft drink can volume and reduced costs. Despite weakness in Florida tourism, entertainment operations had a slight improvement in operating income compared to 1997, due to higher in-park spending. International beer operating income declined vs. 1997 primarily due to weakness in Japan.

Operating income for 1997 was $2.05 billion, an increase of $24 million, or 1.2%, compared to 1996. The increase was primarily due to increased beer sales volume, continued brewery operating efficiencies and improved performance by the company's theme park operations. Domestic revenue per barrel for 1997 was down slightly vs. the 1996 level. Entertainment operations had strong attendance and profitability and contributed $115 million in operating income in 1997. Total attendance at Busch Entertainment facilities was up approximately 7% compared to 1996, to nearly 21 million visitors. International beer profitability was down in 1997 compared to 1996 primarily due to continued significant marketing expenditures for Budweiser. Packaging operations contributed $121 million in operating profits in 1997, down slightly when compared with 1996 performance.

Operating income for 1996 was $2.03 billion, an increase of $162 million, or 8.7%, compared to 1995. The increase in 1996 operating income was due primarily to higher beer sales volume and higher beer margins due to increased revenue per barrel and productivity improvements, which generated nearly $100 million in cost savings vs. 1995. Metal Container Corporation reported flat profits during 1996 vs. 1995 primarily due to weaker soft drink can pricing. Profit contribution from international beer operations was down somewhat in 1996 compared to 1995 due to substantially higher investment spending on marketing for global Budweiser brand building and having a full year of operating results (losses) for the Wuhan brewery included in 1996 vs. only partial year results in 1995.

Net Interest Cost

Net interest cost (interest expense less interest income) was $285.7 million for 1998, $253.3 million for 1997 and $223.4 million in 1996, representing increases of 12.8%, 13.4% and 3.4% compared to prior years. The increases in 1998 and 1997 reflect higher average outstanding debt balances during the years, primarily due to increasing the company's Grupo Modelo investment. The increase in 1996 was due to higher average debt balances outstanding during the period, primarily as a result of financing capital expenditures and share repurchases, partially offset by lower average interest rates.

Interest Capitalized

Interest capitalized declined $16.1 million in 1998, to $26.0 million, due to lower construction-in-progress balances resulting from reduced capital expenditures as the company completes its brewery modernization projects. Interest capitalized increased $6.6 million in 1997 compared to 1996, to $42.1 million, after an increase of $11.2 million, to $35.5 million in 1996. The increases in 1997 and 1996 were due primarily to higher construction-in-progress levels resulting from ongoing brewery modernization projects.

Other Income/Expense, Net

Other income/expense, net includes numerous items of a nonoperating nature that do not have a material impact on the company's consolidated results of operations, either individually or in total.

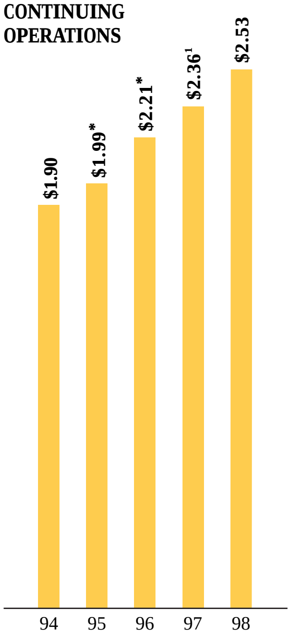
The company had net other expense of $13.0 million in 1998, compared to expense of $9.3 million in 1997. Other expense, net for 1997 represented an increase of $6.3 million compared to 1996, primarily attributable to the elimination of dividend income reporting for the Grupo Modelo investment due to the adoption of equity accounting in the second quarter 1997. Other expense, net was $3.0 million in 1996, a decline of $23.5 million vs. 1995. This change was primarily due to the reclassification of certain purchase discounts from other income/expense, net to cost of products and services.

Equity Income, Net

In 1997, the company began recognizing its pro rata equity interest in the net earnings of Grupo Modelo and Antarctica under the equity method of accounting, as a separate line item in the income statement. The company recognized equity income, net of tax, of $85.0 million during 1998, compared to $50.3 million in 1997. The increase in equity income is due to the company's larger equity stake in Grupo Modelo and the strong underlying sales volume and operating results for Modelo, partially offset by hyperinflation accounting.

For 1998, equity income reflects the company's 37% share of net earnings of Modelo for the first nine months (December 1997 through August 1998 reported on a one-month-delay basis) and its 50.2% ownership in the fourth quarter. This compares with 17.7% ownership for the first five months of 1997 (January through May 1997, consistent with the initial adoption of the equity method of accounting) and a 37% ownership interest thereafter.

DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

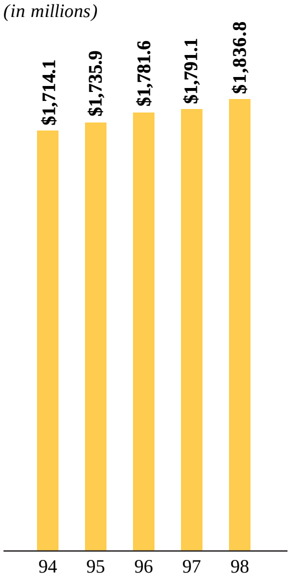


[1] Before cumulative effect of accounting change.

** Normalized results, excluding one-time nonrecurring transactions and events. Reported earnings per share for 1996 and 1995, which include all nonrecurring transactions and events, were $2.27 and $1.71, respectively.*

TOTAL EMPLOYEE-RELATED COSTS

(in millions)



Income From Continuing Operations

Income from continuing operations was $1.23 billion in 1998, an increase of $54 million or 4.6% vs. 1997. Income from continuing operations was $1.18 billion for 1997, an increase of $56 million, or 5.0%, compared to 1996 income from continuing operations of $1.12 billion, which was an increase of 8.8% compared to 1995.

The company's effective tax rate was 38.0%, 38.4% and 38.9% in 1998, 1997 and 1996, respectively. The declines in 1998 and 1997 are principally due to lower state and foreign taxes and lower nondeductible costs. The effective rate in 1996 declined from a normalized 1995 rate of 39.1% due to lower state taxes and lower nondeductible costs.

Diluted Earnings Per Share from Continuing Operations

Diluted earnings per share from continuing operations were $2.53 for 1998, an increase of 7.2% vs. 1997. Diluted earnings per share for 1997 were $2.36, an increase of $.15, or 6.8%, compared to $2.21 in 1996. Diluted earnings per share for 1996 increased $.22, or 11.1%, compared to 1995. Diluted earnings per share benefit from the company's ongoing share repurchase program. See Note 8 for additional information regarding share repurchases.

Employee-Related Costs

Employee-related costs totaled $1.84 billion in 1998, an increase of $46 million, or 2.6%, vs. 1997 costs of $1.79 billion. Employee-related costs during 1997 increased $10 million, or 0.5%, vs. 1996 costs of $1.78 billion. These costs increased $46 million, or 2.6%, in 1996 compared to 1995. The changes in employee-related costs reflect normal increases in salaries, wages and benefit levels, partially offset by lower combined pension and retiree medical expenses.

Salaries and wages paid comprise the majority of employee-related costs and totaled $1.52 billion in 1998, an increase of $40 million, or 2.7% vs. 1997. Salaries and wages totaled $1.48 billion in 1997, an increase of $31 million, or 2.1%, compared to $1.45 billion paid in 1996. The 1996 amount represents an increase of 5.0% vs. 1995. The remainder of employee-related costs consists of pension, life insurance, and health care benefits and payroll taxes.

Full-time employees numbered 24,344, 24,326 and 25,123 at December 31, 1998, 1997 and 1996, respectively.

Taxes

The company is significantly impacted by federal, state and local taxes, including beer excise taxes. Taxes applicable to 1998 operations (not including the many indirect taxes included in materials and services purchased) totaled $2.89 billion, an increase of $216 million, or 8.1%, vs. 1997 total taxes of $2.67 billion, and highlight the burden of taxation on the company and the brewing industry in general. Taxes in 1997 decreased 0.3% compared to 1996 total taxes of $2.68 billion, which increased $241 million, or 9.9%, compared to 1995. Total taxes include the impact of all nonrecurring events and transactions.

The increase in taxes in 1998 is due to higher excise taxes on increased beer volume and the full consolidation of Stag operations. The decrease in 1997 compared to 1996 is primarily attributable to reduced income taxes due to lower pretax income and a lower effective tax rate. The increase for 1996 compared to 1995 is primarily due to higher beer excise taxes from increased beer volume and higher income taxes on higher pretax earnings.

LIQUIDITY AND CAPITAL RESOURCES

The company's primary sources of liquidity are cash provided from operations and financing activities. Information on the company's consolidated cash flows (categorized by operating activities, financing activities and investing activities) for the years 1998, 1997 and 1996 is presented in the statement of cash flows and Note 12.

Operating Cash Flow

Anheuser-Busch's strong financial profile allows it to pursue growth while providing substantial direct returns to shareholders. Accordingly, the company has established well-defined priorities for its operating cash flow:

• Reinvesting in core businesses to achieve profitable growth. To enhance shareholder value, the company will continue to make investments in its existing operations and make selected investments in international brewers.

• Making substantial cash payments directly to shareholders. The company's objective is to return cash to shareholders through consistent dividend growth and the repurchase of approximately 3% to 4% of outstanding common shares each year. The company has paid cash dividends each of the last 65 years.

Net working capital at December 31, 1998 was $(89.9) million compared to working capital of $83.2 million at December 31, 1997 and $34.9 million at December 31, 1996. Cash and marketable securities were $224.8 million at December 31, 1998, $147.3 million at December 31, 1997 and $93.6 million at December 31, 1996.

Changes in cash and marketable securities for 1998 and 1997 were primarily due to cash generated from operations and debt issuance, partially offset by cash used for capital expenditures, share repurchases, dividends and business investments. Cash flow for 1996 is attributable to these same factors plus one-time proceeds from the sale of the assets of Eagle Snacks, Inc., the sale of the Cardinals and a spin-off-related dividend from Earthgrains.

CASH FLOW FROM CONTINUING OPERATIONS

(in millions)

Capital Expenditures

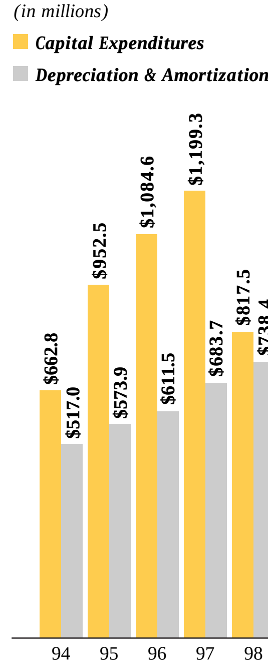
During the next five years, the company will continue capital expenditure programs designed to take advantage of growth and productivity improvement opportunities for its beer, packaging and entertainment operations. Due to approaching completion of the company's long-term brewery modernization program, domestic beer capital expenditures for the next few years are expected to be below the levels experienced during the modernization effort. The company has a formal and intensive review procedure for the authorization of capital expenditures. The most important measure of acceptability of a capital project is its projected discounted cash flow return on investment (DCFROI).

Cash flow from operating activities is projected to exceed the funding requirements for anticipated capital expenditures. However, the combination of the company's capital spending, dividends and share repurchases, plus possible additional investments in international brewers, may require external financing from time to time. The nature, extent and timing of external financing will vary depending upon the company's evaluation of existing market conditions and other economic factors.

Total capital expenditures in 1998 amounted to $817.5 million, a decrease of $382 million, or 31.8%, compared to 1997 capital spending of $1.2 billion. Capital expenditures over the past five years totaled $4.7 billion. The company expects its capital expenditures in 1999 to approximate $900 million. Capital expenditures during the five-year period 1999 - 2003 are expected to approximate $4.5 billion.

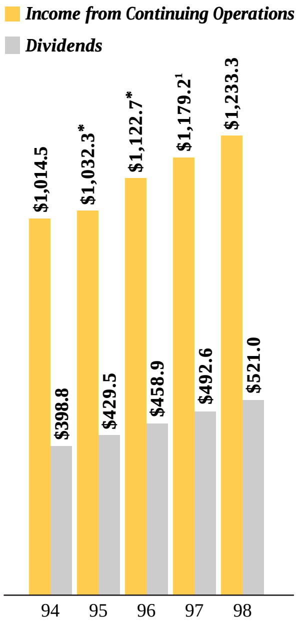
CAPITAL EXPENDITURES/ DEPRECIATION & AMORTIZATION

(in millions)



INCOME FROM CONTINUING OPERATIONS/DIVIDENDS ON COMMON STOCK

(in millions)



[1] *Before cumulative effect of accounting change.*

* *Normalized results, excluding one-time nonrecurring transactions and events. Reported income from continuing operations for 1996 and 1995, which includes all nonrecurring transactions and events, was $1,156.1 and $886.6, respectively.*

Share Repurchase

See Note 8 for a discussion of share repurchase activity.

Dividends

Cash dividends paid to common shareholders were $521.0 million in 1998 and $492.6 million in 1997. Dividends on common stock are paid in the months of March, June, September and December of each year. In the third quarter 1998, effective with the September dividend, the Board of Directors increased the quarterly dividend rate by 7.7%, from $.26 to $.28 per share. This increased annual dividends per common share 8.0%, to $1.08 in 1998, compared with $1.00 per common share in 1997. In 1997, dividends were $.24 per share for the first two quarters and $.26 per share for the last two quarters.

Financing Activities

The company utilizes Securities and Exchange Commission "shelf" registration statements to provide flexibility and efficiency when obtaining long-term financing. At December 31, 1998, a total of $240 million of debt was available for issuance under an existing registration. The company filed a new $750 million shelf registration with the SEC and also issued $150 million in long-term notes in early 1999, bringing total registered debt available for issuance to $840 million.

Long-term debt increased a net $353.0 million in 1998, compared to an increase of $1.09 billion in 1997. The change in debt during these years is detailed below, by key component.

Debt Issuance —

$451.5 million in 1998 compared to $1.27 billion in 1997, as follows:

Year	*Description*	*Amount (millions)*	*Interest Rate*
1998	Long-term notes	**$300.0**	**$100.0 million each at 5.125%, 5.375% and 5.65%, fixed**
	Debentures	**$100.0**	**6.5%, fixed**
	Commercial paper	**$23.3**	**5.5%, weighted average**
	Industrial revenue bonds	**$13.8**	**Various fixed rates**
	Miscellaneous	**$14.4**	**Various fixed rates**
1997	Long-term notes	$500.0	$250.0 million each at 7.1% and 7.125%, fixed
	Debentures	$100.0	6.75%, fixed
	Dual-currency notes	$162.8	Quarterly, floating
	Commercial paper	$436.4	5.5%, weighted average
	Industrial revenue bonds	$41.0	Various fixed rates
	Miscellaneous	$29.4	Various fixed rates

Debt Reduction —

$98.5 million in 1998 versus $174.9 million in 1997, as follows:

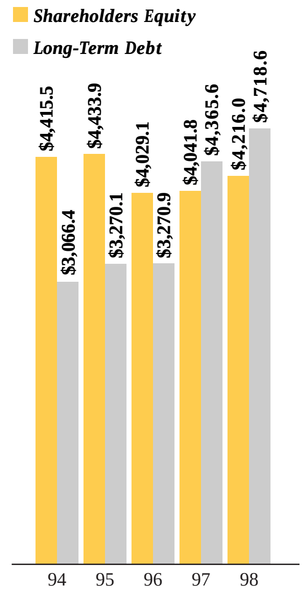
Year	*Description*	*Amount (millions)*	*Interest Rate*
1998	Debentures	**$45.0**	**$22.5 million each at 8.5% and 8.625%, fixed**
	Medium-term notes	**$15.0**	**6.3%, weighted average**
	ESOP debt guarantee	**$34.9**	**8.3%, fixed**
	Miscellaneous	**$3.6**	**Various fixed rates**
1997	Debentures	$83.3	8.625%, fixed
	Medium-term notes	$32.5	7.4%, weighted average
	ESOP debt guarantee	$33.3	8.3%, fixed
	Miscellaneous	$25.8	Various fixed rates

In addition to its long-term debt financing, the company has access to the short-term capital market through the utilization of commercial paper and its $1 billion revolving bank credit agreement that expires August 2001. The credit agreement provides the company with an immediate and continuing source of liquidity. No borrowings have been made under the credit agreement since its inception. Fee information on the credit agreement can be found in Note 4.

The company's ratio of total debt to total capitalization was 52.8% and 51.9% at December 31, 1998 and 1997, respectively. The company's fixed charge coverage ratio was 6.8x, 7.3x and 7.9x for the years ended December 31, 1998, 1997 and 1996, respectively.

SHAREHOLDERS EQUITY/ LONG-TERM DEBT

(in millions)



COMMON STOCK

At December 31, 1998, common stock shareholders of record numbered 62,110 compared with 64,815 at the end of 1997. See Note 8 for a summary of common stock activity.

Price Range of Common Stock

The company's common stock is listed on the New York Stock Exchange under the symbol "BUD." The following table summarizes 1998 quarterly high and low closing prices for BUD.

Price Range of Anheuser-Busch Common Stock (BUD)

	1998		1997	
Quarter	**High**	**Low**	**High**	**Low**
First	**47½**	**43 7/16**	44⅞	40⅝
Second	**49¼**	**45 7/16**	44¼	41
Third	**57⅜**	**46¾**	47⅞	41 13/16
Fourth	**68¼**	**52½**	45	39½

The closing price of the company's common stock at December 31, 1998 and 1997 was $65⅝ and $44, respectively. The book value of each common share of stock at December 31, 1998 was $8.84, compared to $8.30 at December 31, 1997.

SYSTEMS-RELATED YEAR 2000 COSTS

Anheuser-Busch has identified its significant systems, facilities and equipment issues related to Year 2000 date recognition for key accounting and operating systems. The company is working to resolve the Year 2000 matter through either the replacement of existing systems with new Year 2000 ready systems or by reprogramming existing systems. Completion of the majority of reprogramming, hardware replacement and appropriate testing is expected prior to June 30, 1999.

All costs related to the assessment, reprogramming and testing of existing systems for the Year 2000 effort are expensed as incurred. Costs associated with replacement of hardware that is not Year 2000 ready will be capitalized in accordance with the company's existing fixed asset accounting policies. The company incurred Year 2000-related reprogramming costs of $15.5 million in 1998, compared to costs of $6.6 million for 1997 and nominal costs in 1996. The company estimates incurring approximately $21 million in additional costs to complete the Year 2000 reprogramming effort. Hardware replacement costs are not expected to be significant.

Although the company expects to be Year 2000 ready when necessary, failure of the company or significant key suppliers or customers to be fully Year 2000 ready could potentially have a material adverse impact on the results of the company's operations. However, due to the many factors involved, including factors impacting third parties which the company cannot readily ascertain, Anheuser-Busch is currently unable to estimate the potential impact. The company is currently assessing important third party Year 2000 preparedness and is working with its key suppliers and customers to ensure Year 2000 issues are adequately addressed to the extent possible. In that regard, the company is developing a methodology to monitor those third party remediation efforts.

The company considers the likelihood of Year 2000 nonreadiness by Anheuser-Busch to be remote, but is currently unable to determine the likelihood of Year 2000 nonreadiness by key suppliers or customers. Contingency plans are being developed to ensure critical operations continue uninterrupted in the event either Anheuser-Busch or key suppliers or customers fails to resolve their respective Year 2000 issues in a timely manner. Such plans will be in place prior to December 31, 1999.

RISK MANAGEMENT

In the ordinary course of business, Anheuser-Busch is exposed to foreign currency exchange, interest rate and commodity price risks. These exposures primarily relate to the sale of product to foreign customers, purchases from foreign suppliers, acquisition of raw materials from both domestic and foreign suppliers, and changes in interest rates. The company utilizes derivative financial instruments, including forward exchange contracts, futures contracts, swaps and options to manage certain of these exposures that it considers practical to do so. Anheuser-Busch has well-established policies and procedures governing the use of derivatives. The company hedges only firm commitments or anticipated transactions in the normal course of business and corporate policy prohibits the use of derivatives for speculation, including the sale of free-standing instruments. The company neither holds nor issues financial instruments for trading purposes.

Specific hedging strategies depend on several factors, including the magnitude and volatility of the exposure, offset through contract terms, cost and availability of appropriate instruments, the anticipated time horizon, basis, opportunity cost and the nature of the item being hedged. The company's overall risk management goal is to strike a balance between managing its exposure to market volatility and obtaining the most favorable transaction costs possible within the constraints of its financial objectives. Exposures the company currently is unable to hedge, or has elected not to hedge, primarily relate to its floating rate debt, net investments in foreign-currency-denominated operations and translated earnings of foreign subsidiaries.

Derivatives are either exchange-traded instruments which are highly liquid, or over-the-counter instruments transacted with highly rated financial institutions. No credit loss is anticipated as the counterparties to over-the-counter instruments have long-term debt ratings from Standard and Poor's or Moody's no lower than A+ or A1, respectively, or the counterparty position is secured by a letter of credit from a bank having such a rating. The fair value of derivative financial instruments is monitored based on the estimated amounts the company would receive or have to pay when terminating the contracts. The company also monitors the effectiveness of its hedging structures on an ongoing basis.

Following is a volatility analysis of the company's derivatives portfolio that indicates potential changes in the fair value of the company's derivative holdings under certain market movements. The company applies sensitivity analysis for commodity price exposures and value-at-risk (VAR) analysis for foreign currency and interest rate exposures.

Estimated Fair Value Volatility at December 31, 1998 (in millions)

Foreign Currency Risk (VAR): Forwards, Options	**$(0.8)**
Interest Rate Risk (VAR): Swaps	**$(2.0)**
Commodity Price Risk (Sensitivity): Futures, Swaps, Options	**$(6.8)**

VAR forecasts fair value changes using a statistical model (Monte Carlo simulation method for currencies and covariance method for interest rates) which incorporates historical correlations among various currencies and interest rates. The VAR model assumes the company could liquidate its currency and interest rate positions in a single day (one-day holding period). The volatility figures provided represent the maximum one-day loss each portfolio could experience for 19 out of every 20 trading days (95% confidence level), based on history. The sensitivity analysis for commodities reflects the impact of a hypothetical 10% adverse change in the market price for the company's principal commodities. The volatility of foreign currencies, interest rates and commodity prices are dependent on many factors that cannot be forecast with reliable accuracy. Therefore, changes in fair value over time could differ substantially from the illustration.

The preceding volatility analysis ignores changes in the exposures inherent in the underlying hedged transactions. Because the company does not hold or trade derivatives for speculation or profit, all changes in derivative values are effectively offset by corresponding changes in pricing of an underlying exposure. See Note 3 for additional information.

Introduction of the Euro

The initial phase of the three-year phase-in of the new common currency of the European Economic and Monetary Union, the "euro," began on January 1, 1999. The company has made appropriate arrangements with key financial institutions to ensure smooth handling of euro receipts and disbursements. The company's financial systems can accommodate the initial euro introduction but additional updates and adaptation of computer systems will be necessary prior to the end of the euro transition period in 2001. Computer equipment and programming costs are not expected to be material and will be complete before the end of transition.

The company's existing European contracts and currency hedges remain in force under the original terms. Prospectively, the company will denominate agreements and hedges in euros as necessary. The company cannot readily predict what impact, if any, single currency pricing will have on its European operations.

SIGNIFICANT NON-U.S. EQUITY INVESTMENTS

Grupo Modelo

In September 1998, the company completed the purchase of an additional 13.25% of Diblo, S.A. de C.V., the operating subsidiary of Grupo Modelo, S.A. de C.V., Mexico's largest brewer and leading exporter of beer. The purchase price was $556.5 million, bringing Anheuser-Busch's total investment in Modelo to $1.6 billion. The additional investment increased Anheuser-Busch's total direct and indirect holdings in Diblo to 50.2%. The increase in ownership does not give Anheuser-Busch voting control of either Grupo Modelo or Diblo and, accordingly, the company continues to account for its Modelo investment on the equity basis.

The economic benefit of the company's Modelo investment can be measured in two ways—Anheuser-Busch's pro rata share in the earnings of Modelo (equity income) and the excess of the fair value of the investment over its carrying value. The excess of fair value over carrying value, based on Grupo Modelo's closing stock price at December 31, 1998, was $2.8 billion. Although this amount is appropriately not reflected in the company's income statement or balance sheet, it represents an economic benefit to Anheuser-Busch.

Due to the structure and composition of Anheuser-Busch's initial investment, the company was not required to adjust its Grupo Modelo investment to fair market value while on the cost basis of accounting from 1993 to 1996. Additionally, the initial investment was configured such that the company's return was largely protected against a decline in the value of the Mexican peso.

The company adopted the equity method of accounting when ownership was increased to 37% in May 1997, which gave Anheuser-Busch additional minority rights and increased representation on the Grupo Modelo Board of Directors. At that time, the company adjusted the carrying value of its Modelo investment by $189.4 million to reflect the impact of cumulative peso depreciation from 1993 to 1996, the period for which the investment was accounted for under the cost method of accounting. The offset to this translation adjustment was the “foreign currency translation adjustment” account in shareholders equity.

Throughout 1997 and 1998, Mexico was considered hyperinflationary for accounting purposes and the company effectively recognized the relative impact of Mexican peso depreciation on its investment in earnings during those periods. As of January 1, 1999, the Mexican economy ceased to be hyperinflationary for accounting purposes and translation adjustments will be reflected in equity rather than earnings. The change to nonhyperinflation accounting is expected to be favorable to Anheuser-Busch compared to hyperinflation accounting, due to the strong net monetary asset position of Modelo.

Antarctica

In April 1996, the company purchased a 5% equity stake in a subsidiary of Companhia Antarctica Paulista (Antarctica), one of Brazil’s leading brewers. The subsidiary, ANEP, controls 75% of Anarctica’s operations. The investment agreement provided the company with options allowing it to increase its investment to approximately 30% of ANEP beginning April 22, 1996 and generally expiring on April 21, 2002.

In December 1997, the Brazilian trade commission (CADE), ruled Anheuser-Busch’s partnership with Antarctica was a restraint of trade and called for the company to divest its investment in ANEP, subject to review. The company and Antarctica appealed the ruling and on April 8, 1998, announced the successful conclusion of an agreement with CADE that approved the continuation of the two brewers’ partnership in Brazil.

CORPORATE MATTERS

Justice Department Inquiry

In October 1997, the company received notification from the U.S. Justice Department that the Department had begun a civil investigation into the distribution and sale of beer, including Anheuser-Busch’s policies and practices in marketing and distribution. In September 1998, the Justice Department informed the company that it had discontinued its investigation.

Labor Negotiations

Talks with the Teamsters union regarding a new labor agreement covering U.S. brewery employees represented by the union are at impasse and as a result, the company began implementing its final contract offer September 21, 1998. The company’s final offer includes an 11.5% pay increase over five years and enhanced pension benefits. Also included in the offer are provisions to support productivity improvement, promote workplace flexibility, reduce absenteeism, improve the grievance procedure and institute a more effective drug-testing program.

The most recent contract vote, the second by Teamsters-represented employees, occurred in July 1998 with results showing that 46% of those voting favored ratification. On September 18, 1998, the National Labor Relations Board (NLRB) notified the company that charges brought by the Teamsters against the company relating to national bargaining issues had been dismissed, validating Anheuser-Busch’s position that the company bargained in good faith throughout the negotiations. Charges brought by the union challenging the implementation of the company’s final offer were also found by the NLRB to have no merit and were dismissed in February 1999.

On October 22, 1998, members of St. Louis Teamsters Local 367, representing about 68 Firemen and Oilers, walked off the job at the St. Louis brewery. Other local St. Louis unions representing approximately 1,700 employees at the brewery honored the picket lines. On October 23, 1998, Local 367 offered to end the strike, with no change in the implemented offer. Striking employees and other employees reported back to work the week of October 26. The St. Louis brewery was operated by salaried and other employees during the strike. There was no disruption in the production or distribution of the company's products. Operations at the company's other 11 breweries were unaffected.

The company anticipates eventually reaching an agreement with the union but remains fully prepared to operate in the event of additional work stoppages.

Environmental Matters

The company is subject to federal, state and local environmental protection laws and regulations and is operating within such laws or is taking action aimed at assuring compliance with such laws and regulations. Compliance with these laws and regulations is not expected to materially affect the company's competitive position. None of the Environmental Protection Agency (EPA) designated clean-up sites for which Anheuser-Busch has been identified as a Potentially Responsible Party (PRP) would have a material impact on the company's consolidated financial statements.

The company is strongly committed to environmental protection. Its Environmental Management System provides specific guidance for how the environment must be factored into business decisions and mandates special consideration of environmental issues in conjunction with other business issues when any of the company's facilities or business units plans capital projects or changes in processes.

Report of Independent Accountants

The management of Anheuser-Busch Companies, Inc. is responsible for the financial statements and other information included in this annual report. These statements are prepared in accordance with generally accepted accounting principles.

The company maintains accounting and reporting systems, supported by a system of internal accounting control, which management believes are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements. During 1998, the company's internal auditors, in conjunction with PricewaterhouseCoopers LLP, the company's independent accountants, performed a comprehensive review of the adequacy of the company's internal accounting control system. Based on that comprehensive review, it is management's opinion that the company has an effective system of internal accounting control.

The Audit Committee of the Board of Directors, which consists of eight nonmanagement directors, oversees the company's financial reporting and internal control systems, recommends selection of the company's independent accountants and meets with the independent accountants and internal auditors to review the overall scope and specific plans for their respective audits. The Committee held four meetings during 1998. A more complete description of the functions performed by the Audit Committee can be found in the company's proxy statement.

The report of PricewaterhouseCoopers LLP appears below.

PRICEWATERHOUSECOOPERS

800 Market Street
St. Louis, MO 63101

February 2, 1999
To the Shareholders and Board of Directors
of Anheuser-Busch Companies, Inc.

We have audited the accompanying Consolidated Balance Sheet of Anheuser-Busch Companies, Inc. and its subsidiaries as of December 31, 1998 and 1997, and the related Consolidated Statements of Income, Changes in Shareholders Equity and Cash Flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements audited by us present fairly, in all material respects, the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 2 and Note 13 to the Consolidated Financial Statements, in 1997 the company adopted the equity method of accounting for its investments in Grupo Modelo, S.A. de C.V. and its operating subsidiary, Diblo, S.A. de C.V. and changed its method of accounting for business process reengineering costs incurred in connection with information technology transformation projects, respectively.

PricewaterhouseCoopers LLP

Consolidated Balance Sheet

Anheuser-Busch Companies and Subsidiaries

(In millions)

Year Ended December 31,	1998	1997
Assets		
Current Assets:		
Cash and marketable securities	$ 224.8	$ 147.3
Accounts and notes receivable, less allowance for doubtful accounts of $5.5 in 1998 and $4.9 in 1997	610.1	713.4
Inventories:		
Raw materials and supplies	362.9	328.7
Work in process	90.7	87.8
Finished goods	169.8	133.7
Total inventories	623.4	550.2
Other current assets	182.1	173.0
Total current assets	1,640.4	1,583.9
Investments in affiliated companies	1,880.6	1,296.8
Other assets	1,114.3	1,095.8
Plant and equipment, net	7,849.0	7,750.6
Total Assets	$12,484.3	$11,727.1
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	$ 905.7	$ 791.8
Accrued salaries, wages and benefits	256.3	224.3
Accrued taxes	193.6	183.9
Other current liabilities	374.7	300.7
Total current liabilities	1,730.3	1,500.7
Postretirement benefits	515.8	525.4
Long-term debt	4,718.6	4,365.6
Deferred income taxes	1,303.6	1,293.6
Common Stock and Other Shareholders Equity:		
Common stock, $1.00 par value, authorized 800,000,000 shares	712.7	709.3
Capital in excess of par value	1,117.5	1,017.0
Retained earnings	8,320.7	7,604.9
Accumulated other comprehensive income:		
Foreign currency translation adjustment	(205.6)	(214.0)
	9,945.3	9,117.2
Treasury stock, at cost	(5,482.1)	(4,793.3)
ESOP debt guarantee	(247.2)	(282.1)
	4,216.0	4,041.8
Commitments and contingencies	—	—
Total Liabilities and Equity	$12,484.3	$11,727.1

The Notes to Consolidated Financial Statements appearing on pages 54-73 of this report are an integral component of the company's financial statements and should be read in conjunction with the statements.

Consolidated Statement of Income

Anheuser-Busch Companies and Subsidiaries

(In millions, except per share)

Year Ended December 31,	**1998**	1997	1996
Sales	**$13,207.9**	$12,832.4	$12,621.5
Less excise taxes	**(1,962.1)**	(1,766.2)	(1,737.8)
Net sales	**11,245.8**	11,066.2	10,883.7
Cost of products and services	**(7,162.5)**	(7,096.9)	(6,964.6)
Gross profit	**4,083.3**	3,969.3	3,919.1
Marketing, distribution and administrative expenses	**(1,958.0)**	(1,916.3)	(1,890.0)
Gain on sale of St. Louis Cardinals	**—**	—	54.7
Operating income	**2,125.3**	2,053.0	2,083.8
Interest expense	**(291.5)**	(261.2)	(232.8)
Interest capitalized	**26.0**	42.1	35.5
Interest income	**5.8**	7.9	9.4
Other expense, net	**(13.0)**	(9.3)	(3.0)
Income before income taxes	**1,852.6**	1,832.5	1,892.9
Provision for income taxes:			
Current	**(669.8)**	(612.2)	(643.0)
Deferred	**(34.5)**	(91.4)	(93.8)
	(704.3)	(703.6)	(736.8)
Equity income, net of tax	**85.0**	50.3	—
Income from continuing operations	**1,233.3**	1,179.2	1,156.1
Income from discontinued operations	**—**	—	33.8
Income before cumulative effect of accounting change	**1,233.3**	1,179.2	1,189.9
Cumulative effect of accounting change, net of tax of $6.2	**—**	(10.0)	—
Net income	**$ 1,233.3**	$ 1,169.2	$ 1,189.9
Basic earnings per share:			
Continuing operations	**$ 2.56**	$ 2.39	$ 2.31
Discontinued operations	**—**	—	.07
Income before cumulative effect of accounting change	**2.56**	2.39	2.38
Cumulative effect of accounting change	**—**	(.02)	—
Net income	**$ 2.56**	$ 2.37	$ 2.38
Diluted earnings per share:			
Continuing operations	**$ 2.53**	$ 2.36	$ 2.27
Discontinued operations	**—**	—	.07
Income before cumulative effect of accounting change	**2.53**	2.36	2.34
Cumulative effect of accounting change	**—**	(.02)	—
Net income	**$ 2.53**	$ 2.34	$ 2.34

The Notes to Consolidated Financial Statements appearing on pages 54-73 of this report are an integral component of the company's financial statements and should be read in conjunction with the statements.

Consolidated Statement of Changes in Shareholders Equity

Anheuser-Busch Companies and Subsidiaries

(In millions, except per share)

Year Ended December 31,	**1998**	1997	1996
Common Stock			
Balance, beginning of period	**$ 709.3**	$ 705.8	$ 347.3
Shares issued under stock plans	**3.4**	3.5	2.6
Conversion of convertible debentures	**—**	—	6.4
Two-for-one stock split	**—**	—	349.5
Balance, end of period	**$ 712.7**	$ 709.3	$ 705.8
Capital in Excess of Par Value			
Balance, beginning of period	**$ 1,017.0**	$ 929.2	$ 1,012.2
Shares issued under stock plans	**100.5**	87.8	106.9
Conversion of convertible debentures	**—**	—	159.6
Two-for-one stock split	**—**	—	(349.5)
Balance, end of period	**$ 1,117.5**	$ 1,017.0	$ 929.2
Retained Earnings			
Balance, beginning of period	**$ 7,604.9**	$ 6,924.5	$ 6,869.6
Income from continuing operations	**1,233.3**	1,169.2	1,189.9
Common dividends paid (per share: 1998 - $1.08; 1997 - $1.00; 1996 - $.92)	**(521.0)**	(492.6)	(458.9)
Shares issued under stock plans	**3.5**	3.8	3.9
Spin-off of the Earthgrains Company	**—**	—	(680.0)
Balance, end of period	**$ 8,320.7**	$ 7,604.9	$ 6,924.5
Treasury Stock			
Balance, beginning of period	**$(4,793.3)**	$(4,206.2)	$(3,436.0)
Treasury stock acquired	**(688.8)**	(587.1)	(770.2)
Balance, end of period	**$(5,482.1)**	$(4,793.3)	$(4,206.2)
ESOP Debt Guarantee			
Balance, beginning of period	**$ (282.1)**	$ (315.4)	$ (347.1)
Annual debt service	**34.9**	33.3	31.7
Balance, end of period	**$ (247.2)**	$ (282.1)	$ (315.4)
Accumulated Other Comprehensive Income			
Balance, beginning of period	**$ (214.0)**	$ (8.8)	$ (12.1)
Foreign currency translation adjustment	**8.4**	(205.2)	3.3
Balance, end of period	**$ (205.6)**	$ (214.0)	$ (8.8)
Total Shareholders Equity	**$ 4,216.0**	$ 4,041.8	$ 4,029.1
Comprehensive Income			
Net income	**$ 1,233.3**	$ 1,169.2	$ 1,189.9
Foreign currency translation adjustment	**8.4**	(205.2)	3.3
Total Comprehensive Income	**$ 1,241.7**	$ 964.0	$ 1,193.2

The Notes to Consolidated Financial Statements appearing on pages 54-73 of this report are an integral component of the company's financial statements and should be read in conjunction with the statements.

Consolidated Statement of Cash Flows

Anheuser-Busch Companies and Subsidiaries

(In millions)

Year Ended December 31,	**1998**	1997	1996
Cash Flow from Operating Activities:			
Net income	**$ 1,233.3**	$ 1,169.2	$ 1,189.9
Income from discontinued operations	**—**	—	(33.8)
Cumulative effect of accounting change	**—**	10.0	—
Income from continuing operations	**1,233.3**	1,179.2	1,156.1
Adjustments to reconcile income from continuing operations to cash provided by operating activities:			
Depreciation and amortization	**738.4**	683.7	611.5
Deferred income taxes	**34.5**	91.4	93.8
Undistributed earnings of affiliated companies	**(53.7)**	(49.9)	—
After-tax gain on sale of St. Louis Cardinals	**—**	—	(33.4)
Decrease in noncash working capital	**250.6**	5.4	233.7
Other, net	**(27.1)**	(93.2)	(92.8)
Cash provided by operating activities	**2,176.0**	1,816.6	1,968.9
Net cash provided by discontinued operations	**—**	—	52.0
Total cash provided by operating activities	**2,176.0**	1,816.6	2,020.9
Cash Flow from Investing Activities:			
Capital expenditures	**(817.5)**	(1,199.3)	(1,084.6)
New business acquisitions	**(566.5)**	(683.3)	(135.7)
Proceeds from sale of St. Louis Cardinals	**—**	—	116.6
Cash used for investing activities	**(1,384.0)**	(1,882.6)	(1,103.7)
Cash Flow from Financing Activities:			
Increase in long-term debt	**451.5**	1,245.9	773.6
Decrease in long-term debt	**(63.6)**	(141.6)	(575.1)
Dividends paid to shareholders	**(521.0)**	(492.6)	(458.9)
Acquisition of treasury stock	**(688.8)**	(587.1)	(770.2)
Shares issued under stock plans	**107.4**	95.1	113.4
Cash provided by/(used for) financing activities	**(714.5)**	119.7	(917.2)
Net increase in cash and marketable securities during the year	**77.5**	53.7	—
Cash and marketable securities, beginning of year	**147.3**	93.6	93.6
Cash and marketable securities, end of year	**$ 224.8**	$ 147.3	$ 93.6

The Notes to Consolidated Financial Statements appearing on pages 54-73 of this report are an integral component of the company's financial statements and should be read in conjunction with the statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Principles and Policies

This summary of the significant accounting principles and policies of Anheuser-Busch Companies, Inc. and its subsidiaries is presented to assist in evaluating the company's Consolidated Financial Statements included in this annual report. These principles and policies conform to generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which impact the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

Principles of Consolidation

The Consolidated Financial Statements include the company and all its subsidiaries. The company generally consolidates all majority-owned and controlled subsidiaries, accounts for equity investments below the 20% level under the cost method, and applies the equity method of accounting for equity investments between 20% and 50%. All significant intercompany transactions have been eliminated. Minority interests in consolidated subsidiaries are not material. See Note 2 for additional discussion.

Foreign Currency Translation

Financial statements of foreign operations where the local currency is the functional currency are translated using period-end exchange rates for assets and liabilities, and weighted average exchange rates during the period for the results of operations. Translation adjustments are reported as a separate component of other comprehensive income within shareholders equity. Translation practice differs for foreign operations in hyperinflationary economies. See Note 2 for additional discussion.

Exchange rate adjustments related to foreign currency transactions are recognized in income as incurred.

Cash and Marketable Securities

Cash and marketable securities include cash on hand, demand deposits and short-term investments with initial maturities generally of 90 days or less.

Excess of Cost Over Net Assets of Acquired Businesses (Goodwill)

The excess of the cost over the net assets of acquired businesses, which is included in other assets on the balance sheet, is amortized on a straight-line basis over a period of 40 years. Accumulated amortization at December 31, 1998 and 1997 was $116.3 million and $106.6 million, respectively. The ongoing recoverability of goodwill is monitored based on appropriate operating unit performance and consideration of significant events or changes in the overall business environment.

Inventories and Production Costs

Inventories are valued at the lower of cost or market. Cost is determined under the last-in, first-out method (LIFO) for approximately 73% and 75%, respectively, of total inventories at December 31, 1998 and 1997. Had the average-cost method (which approximates replacement cost) been used with respect to such inventories at December 31, 1998 and 1997, total inventories would have been $100.3 million and $117.5 million higher, respectively.

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and expenditures which substantially increase the useful lives of existing facilities. The cost of maintenance, repairs and minor renewals is expensed as incurred. When plant and equipment is retired or otherwise disposed, the related cost and accumulated depreciation are eliminated and any gain or loss on disposition is recognized in earnings.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets, resulting in annual depreciation rates on buildings ranging from 2% to 10% and on machinery and equipment ranging from 4% to 25%.

Income Taxes

The provision for income taxes is based on income and expense amounts as reported in the Consolidated Statement of Income. The company utilizes certain provisions of federal and state income tax laws and regulations to reduce current taxes payable. Deferred income taxes are recognized for the effect of temporary differences between financial and tax reporting in accordance with the requirements of FAS No. 109, "Accounting for Income Taxes."

Derivative Financial Instruments

All derivative instruments held by the company are designated as hedges, have high correlation with the underlying exposure and are highly effective in offsetting underlying price movements. Accordingly, gains and losses from changes in derivative fair values are deferred. Gains or losses upon settlement of derivative positions when the underlying transaction occurs are recognized in the income statement or recorded as part of the underlying asset or liability, as appropriate depending on the circumstances. Derivative positions are settled if the underlying transaction is no longer expected to occur, with related gains and losses recognized in earnings in the period settlement occurs. Option premiums paid are recorded as assets and amortized over the life of the option. Derivatives generally have initial terms of less than three years, and all currently hedged transactions are expected to occur within the next three years. See Note 3 for additional information regarding the company's derivatives portfolio.

Research and Development Costs, Advertising and Promotional Costs, and Initial Plant Costs

Research and development costs, advertising and promotional costs, and initial plant costs are expensed in the year in which these costs are incurred. Advertising and promotional expenses were $642.1 million, $603.6 million and $701.3 million in 1998, 1997 and 1996, respectively.

Systems Development Costs

The company capitalizes certain systems development costs that meet established criteria. Amounts capitalized are amortized to expense over a five-year period. In 1998, 1997 and 1996, the company capitalized systems development costs of $50.8 million, $32.6 million, and $83.0 million, respectively. Accumulated amortization related to capitalized systems costs was $95.4 million and $59.4 million at December 31, 1998 and 1997, respectively.

Effective January 1, 1999, the company adopted AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Systems Developed or Obtained for Internal Use" (SOP 98-1). Adoption of SOP 98-1 will require no significant changes to the company's systems development accounting methodology and will not have a material impact on the results of operations.

Stock-Based Compensation

The company accounts for employee stock options in accordance with Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." Under APB 25, the company recognizes no compensation expense related to employee stock options, as no options are granted at a price below the market price on the day of grant.

In 1996, FAS No. 123, "Accounting for Stock-Based Compensation," became effective for the company. FAS 123, which prescribes the recognition of compensation expense based on the fair value of options on the grant date, allows companies to continue applying APB 25 if certain pro forma disclosures are made assuming hypothetical fair value method application. See Note 6 for pro forma disclosures required by FAS 123 plus additional information on the company's stock options.

Start-Up Costs

Effective January 1, 1999, the company adopted AICPA Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5), which requires the costs of start-up activities to be expensed as incurred. Adoption of SOP 98-5 will require no significant changes to the company's current accounting methodology and will not have a material impact on the results of operations.

2. International Investments

Grupo Modelo

In 1993, Anheuser-Busch purchased a 17.7% direct and indirect equity interest in Diblo S.A. de C.V. (Diblo), the operating subsidiary of Grupo Modelo S.A. de C.V. (Modelo), Mexico's largest brewer and producer of the Corona brand, for $477 million. In May 1997, the company increased its direct and indirect equity ownership in Diblo to 37% for an additional $605 million. Effective with the increase in equity ownership to 37%, the company received expanded minority rights, increased its representation on Modelo's Board of Directors to 10 of 21 members and adopted the equity method of accounting for the investment. In September 1998, the company completed its purchase of an additional 13.25% equity interest in Diblo for $557 million, and now owns a 50.2% direct and indirect interest in Diblo. Anheuser-Busch does not have voting or other effective control of either Diblo or Modelo and will therefore continue to account for its investment on the equity basis.

Equity income recognized in 1997 reflected the company's 17.7% ownership from January through May and its 37% ownership thereafter. The difference between income recognized on the cost basis prior to 1997 and what would have been recognized had the company applied equity accounting in those years is not material. The company recorded a $189.4 million adjustment to the carrying value of the investment for cumulative Mexican peso depreciation between 1993 and 1996 prior to the adoption of equity accounting in 1997. The offset for the adjustment was to "foreign currency translation," a component of shareholders equity.

Included in the carrying amount of the Modelo investment is goodwill of $553.6 million and $246.3 million, respectively, at December 31, 1998 and 1997 which is being amortized over 40 years. Accumulated amortization was $15 million and $6.9 million, respectively, at December 31, 1998 and 1997. Dividends received from Grupo Modelo in 1998 totaled $50.3 million, compared to $16.4 million in 1997 and $15.5 million in 1996.

For foreign operations in countries whose economies are considered highly inflationary, the U.S. dollar is deemed the functional currency for financial reporting purposes. Foreign currency translation practice for highly inflationary economies under Financial Accounting Standard No. 52, "Foreign Currency Translation," requires that property, other long-lived assets, long-term liabilities and related profit and loss accounts be translated at historical rates of exchange. Additionally, net monetary asset and liability related translation adjustments are included in earnings in the current period.

Effective January 1, 1997, Mexico's economy was deemed highly inflationary for accounting purposes and, accordingly, all monetary translation gains and losses related to the Modelo investment were recognized in equity income during 1997 and 1998. In November 1998, the International Accounting Task Force of the American Institute of Certified Public Accountants, in conjunction with the Securities and Exchange Commission, concluded that the Mexican economy ceased to be highly inflationary for accounting purposes as of January 1, 1999.

Summary financial information for Grupo Modelo as of, and for the two years ended December 31, is presented in the following table, (in millions). The amounts presented are implied consolidated Grupo Modelo operating results and financial position after adjustment to account for differences between Mexican and U.S. generally accepted accounting principles, and reflect Anheuser-Busch's appropriate pro rata equity interest during the year.

	1998	1997
Current assets	**$ 859.8**	$ 856.7
Noncurrent assets	**3,008.4**	2,297.5
Current liabilities	**200.6**	176.0
Noncurrent liabilities	**172.0**	58.2
Gross sales	**1,748.3**	1,353.6
Net sales	**1,632.0**	1,268.2
Gross profit	**809.2**	594.6
Minority interest	**32.8**	26.6
Income from continuing operations	**180.3**	138.0
Net income	**180.3**	138.0

Other International Investments

In April 1996, the company invested $52.5 million to purchase a 5% equity stake in Antarctica Empreendimentos e Participacoes (ANEP), a subsidiary controlling approximately 75% of the operations of Companhia Antarctica Paulista (Antarctica), one of Brazil's leading brewers. Anheuser-Busch holds options to increase its equity interest in ANEP to approximately 30%. These options essentially expire in April 2002.

As a result of holding certain minority rights and having gained representation on the ANEP Board of Directors in late 1996, the company changed its accounting method for the investment in ANEP from the cost to the equity method effective January 1, 1997. The difference between income recognized on the cost basis in 1996 and what would have been recognized had the company applied equity accounting is not material.

Anheuser-Busch also owns a 51% interest in a joint venture it operates with Antarctica for the marketing, sales and distribution of Budweiser in Brazil. The joint venture, Budweiser Brasil Ltda., is consolidated.

In 1996, Anheuser-Busch purchased a 4.4% interest in the Argentine subsidiary of Compañia Cervecerias Unidas S.A. (CCU), CCU-Argentina. The purchase agreement provided the company with options to increase its investment to 20% of CCU-Argentina. In December 1998, the company exercised a portion of its options and purchased an additional 3.8% in CCU-Argentina for $10 million, bringing the company's ownership in CCU-Argentina to 8.2%. The company's remaining options expire in December 2002. The investment is accounted for on the cost basis. CCU-Argentina brews and sells Budweiser in Buenos Aires and other major Argentine markets.

In the fourth quarter 1998, the company restructured the sales force and made other organizational changes at its Japanese subsidiary. Total pretax cost of the restructuring was $8.6 million, primarily for wage and severance benefits due to workforce reductions.

The company owns an 86.6% interest in a joint venture which owns the Wuhan brewery located in the People's Republic of China. The joint venture brews and distributes Budweiser primarily in the northern, eastern and central regions of China. The joint venture is consolidated.

In 1997, the company purchased the remaining 50% of the Stag Brewing Company Ltd. from its partner, Scottish Courage. Budweiser is brewed and packaged at the Stag Brewery primarily for distribution in the United Kingdom. Scottish Courage owns and leases the brewery site to the company. The Stag Brewery operations are consolidated.

3. Derivatives and Other Financial Instruments

The company currently uses the following derivative financial instruments: purchased options and forward contracts for foreign currency risk; swaps for interest rate risk; and futures, swaps and purchased options for commodity price risk. All derivatives are off-balance-sheet and therefore have no recorded carrying value. Because the company hedges only with instruments that have high correlation with the underlying transaction pricing, changes in derivatives fair values are expected to be offset by changes in pricing.

The following table summarizes the notional transaction amounts and fair values for outstanding derivatives, by risk category and instrument type, at December 31, (in millions):

	1998		1997	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign Currency:				
Forwards	**$ 76.8**	**$ 1.5**	$ 75.7	$ (1.1)
Options	**323.1**	**6.5**	265.5	15.3
	399.9	**8.0**	341.2	14.2
Interest Rate:				
Swaps	**425.2**	**(53.4)**	425.2	(49.8)
Commodity Price:				
Swaps	**14.1**	**(.3)**	140.5	(2.9)
Futures	**46.1**	**(3.6)**	22.9	(.4)
Options	**94.4**	**(2.8)**	5.6	—
	154.6	**(6.7)**	169.0	(3.3)
Total of outstanding derivatives	**$979.7**	**$(52.1)**	$935.4	$(38.9)

The interest rate swap and currency exchange agreements related to the dual-currency notes discussed in Note 4 are included as interest rate swaps in the preceding table. These agreements are integral parts of dual-currency note structures which provide the company with floating-rate financing at below-market rates.

The company has “long” exposure to the British pound sterling, Irish punt, Japanese yen, Mexican peso and Canadian dollar. The company's exposures to other currencies are essentially “short,” primarily for German mark-denominated purchases of hops. Long exposure indicates the company has foreign currency in excess of its needs while a short exposure indicates the company requires additional foreign currency to meet its needs. For commodity derivatives, as a net user of raw materials, the company's underlying exposure is short, indicating additional quantities must be obtained to meet anticipated production requirements.

Concentration of Credit Risk

The company does not have a material concentration of accounts receivable or other credit risk.

Nonderivative Financial Instruments

Nonderivative financial instruments included in the balance sheet are cash, commercial paper and long-term debt. The fair value of long-term debt, based on future cash flows discounted at interest rates currently available to the company for debt with similar maturities and characteristics, was $5.0 billion and $4.5 billion at December 31, 1998 and 1997, respectively.

New Derivatives and Hedging Accounting Standard

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (FAS 133). The Standard requires all derivative financial instruments to be reflected on an entity's balance sheet at fair value, with changes in fair value recognized quarterly in either earnings or equity, depending on the nature of the underlying exposure being hedged. FAS 133 is required to be adopted no later than January 1, 2000.

Adoption of FAS 133 requires a one-time recognition on the balance sheet of the fair value of the company's derivatives portfolio plus a cumulative effect adjustment to earnings and/or equity. The company uses only derivative instruments that are highly correlated to the underlying exposure and therefore does not anticipate a material earnings impact from the initial adoption of FAS 133. The company plans no substantive changes to its risk management policies or approach as a result of adopting the new Standard. The company has not yet determined when it will adopt FAS 133.

4. Long-Term Debt

Long-term debt at December 31, consisted of the following (in millions):

	1998	*1997*
Commercial Paper (weighted average interest rate of 5.5% in 1998 and 1997)	**$ 615.2**	$ 591.9
Medium-term Notes Due 1999 to 2001 (interest rates from 5.1% to 8.0%)	**47.5**	62.5
8.625% Sinking Fund Debentures Maturing 1999 to 2016	**—**	22.5
8.5% Sinking Fund Debentures Maturing 1999 to 2017	**23.0**	45.5
8.75% Notes Due 1999	**250.0**	250.0
5.1% Japanese yen/Australian dollar Notes Due 1999	**262.4**	262.4
4.1% Japanese yen/U.S. dollar Notes Due 2001	**162.8**	162.8
6.9% Notes Due 2002	**200.0**	200.0
6.75% Notes Due 2003	**200.0**	200.0
6.75% Notes Due 2005	**200.0**	200.0
7% Notes Due 2005	**100.0**	100.0
6.75% Notes Due 2006	**250.0**	250.0
7.1% Notes Due 2007	**250.0**	250.0
5.125% Notes Due 2008	**100.0**	—
5.375% Notes Due 2008	**100.0**	—
5.65% Notes Due 2008	**100.0**	—
9% Debentures Due 2009	**350.0**	350.0
7.25% Debentures Due 2015	**150.0**	150.0
7.125% Notes Due 2017	**250.0**	250.0
7.375% Debentures Due 2023	**200.0**	200.0
7% Debentures Due 2025	**200.0**	200.0
6.75% Debentures Due 2027	**100.0**	100.0
6.5% Debentures Due 2028	**100.0**	—
Industrial Revenue Bonds (interest rates from 5.625% to 7.4%)	**212.2**	198.4
8.25% ESOP Debt	**247.2**	282.1
Other Long-term Debt	**48.3**	37.5
	$4,718.6	$4,365.6

In early 1999, the company registered $750 million in long-term debt with the Securities and Exchange Commission and also issued $150 million in long-term debt, bringing its total amount of registered debt available for issuance to $840 million.

Gains/losses on debt redemptions (either individually or in the aggregate) are not material for any year presented.

In December 1998, the company redeemed all outstanding 8.625% sinking fund debentures due December 1, 2016. The redemption price was 100% of the principal amount plus accrued interest.

In December 1996, simultaneous with the issuance of the 5.1% Japanese yen/Australian dollar notes, the company entered into a $262.4 million notional amount interest rate swap and currency exchange agreement. In October 1997, the company entered into a similar swap and exchange agreement for the $162.8 million notional amount of the 4.1% Japanese yen/U.S. dollar notes. Under the agreements, the counterparties fund the semi-annual yen-denominated fixed-rate coupon payments and Anheuser-Busch makes quarterly U.S. dollar-denominated LIBOR-based floating-rate payments to the counterparties. The Australian dollar agreement also requires Anheuser-Busch to pay the counterparty $262.4 million at maturity in exchange for the counterparty funding the Australian dollar redemption liability. The 4.1% dual-currency notes mature in U.S. dollars.

The impact of the Australian dollar exchange agreement on the company's 5.1% dual-currency notes at December 31, is as follows:

	1998	1997
5.1% Japanese yen/Australian dollar Notes Due 1999	**$196.2**	$209.1
Effect of U.S. dollar/Australian dollar exchange agreement	**66.2**	53.3
	$262.4	$262.4

Under the terms of the agreements, the U.S. dollar floating-rate interest payments and the dollar-denominated redemptions are the only obligations the company has relating to the dual-currency notes. All currency exchange risk between the U.S. dollar, the Australian dollar and the Japanese yen is borne by the applicable counterparty. Only in the event of counterparty default, the risk of which the company considers remote, would Anheuser-Busch be exposed to currency exchange risk.

The company has in place a single committed revolving credit agreement totaling $1 billion, which expires in August 2001. The agreement provides that under certain circumstances the company may select among various loan arrangements with differing maturities and among a variety of interest rates, including a negotiated rate. At December 31, 1998 and 1997, the company had no outstanding borrowings under the agreement. Fees under the agreement were $.6 million, $.6 million and $.7 million in 1998, 1997 and 1996, respectively.

At December 31, 1998 and 1997, outstanding commercial paper borrowings are classified as long-term debt because commercial paper is maintained on a long-term basis with ongoing credit support provided by the revolving credit agreement. The company may also choose to refinance some or all of its commercial paper debt with long-term notes or debentures.

In 1989, the company issued $241.7 million of 8% debentures maturing in 1996 and convertible into preferred stock at a price of $23.39 each (adjusted for the September 1996 stock split and the Earthgrains spin-off). Each share of preferred stock was convertible into one share of common stock. In September 1996, the company completed the conversion of all outstanding convertible debentures. In 1996, the company issued 7.5 million common shares in conjunction with conversions. No preferred shares are outstanding as a result of any conversions.

The aggregate maturities on long-term debt are $586 million, $15 million, $180 million, $200 million and $200 million, respectively, for each of the years ending December 31, 1999 through 2003. These aggregate maturities do not include the future maturities of the ESOP debt or commercial paper.

5. Business Segments

In 1998, the company adopted FAS 131, "Disclosures about Segments of an Enterprise and Related Information," which expanded the company's previously reported operating segments from Beer/beer-related and Entertainment, to Domestic Beer, International Beer, Packaging, Entertainment and Other.

The Domestic Beer segment consists of the company's U.S. beer production, marketing, distribution, raw materials acquisition and malting operations.

The International Beer segment consists of the company's export sales and overseas beer production and marketing operations, which include company-owned operations, administration of contract and license brewing arrangements and equity investment oversight. The company sells beer in more than 80 countries, with principal markets in Canada, the United Kingdom, Ireland, Japan, and China.

The Packaging segment is comprised of the company's aluminum beverage can manufacturing, aluminum can recycling and label printing operations. Cans are produced for both the company's domestic beer operations and U.S. soft drink industry customers.

The Entertainment segment consists of the company's SeaWorld, Busch Gardens and other theme park operations.

The Other segment is comprised of the company's real estate development, transportation and communications businesses.

Summarized below is the company's business segment information for 1998, 1997 and 1996 (in millions). Intersegment sales are fully eliminated in consolidation. No single customer accounted for more than 10% of sales. Corporate expenses, including net interest expense, are not allocated to operating segments. Prior years' information has been restated for the adoption of FAS 131.

	Reportable Segments						
1998	*Domestic Beer*	*Int'l Beer*	*Pkg.*	*Enter.*	*Other*	*Corp. & Elims (1)*	*Consol.*
Income Statement Information:							
Gross Sales	**$10,391.6**	**809.1**	**1,842.0**	**760.8**	**147.0**	**(742.6)**	**$13,207.9**
Net Sales - External	**$ 8,569.9**	**668.7**	**1,127.4**	**760.8**	**119.0**	**—**	**$11,245.8**
Net Sales - Intersegment	**$ —**	**—**	**714.6**	**—**	**28.0**	**(742.6)**	**$ —**
Depreciation & Amortization	**$ 498.9**	**14.6**	**102.6**	**90.3**	**6.1**	**25.9**	**$ 738.4**
Income Before Income Taxes	**$ 2,018.0**	**10.1**	**148.2**	**116.6**	**9.9**	**(450.2)**	**$ 1,852.6**
Equity Income, Net of Tax	**$ —**	**85.0**	**—**	**—**	**—**	**—**	**$ 85.0**
Income from Continuing Operations	**$ 1,251.2**	**91.3**	**91.9**	**72.3**	**6.1**	**(279.5)**	**$ 1,233.3**
Balance Sheet Information:							
Total Assets	**$ 7,078.5**	**2,340.9**	**874.1**	**1,283.1**	**211.0**	**696.7**	**$12,484.3**
Equity Method Investments	**$ —**	**1,662.6**	**—**	**—**	**—**	**—**	**$ 1,662.6**
Foreign-Located Fixed Assets	**$ —**	**202.1**	**—**	**—**	**—**	**—**	**$ 202.1**
Capital Expenditures	**$ 514.1**	**82.9**	**81.4**	**97.2**	**9.9**	**32.0**	**$ 817.5**
1997	*Domestic Beer*	*Int'l Beer*	*Pkg.*	*Enter.*	*Other*	*Corp. & Elims (1)*	*Consol.*
Income Statement Information:							
Gross Sales	$ 10,023.9	784.8	1,867.2	756.2	151.7	(751.4)	$ 12,832.4
Net Sales - External	$ 8,257.7	784.8	1,150.8	756.2	116.7	—	$ 11,066.2
Net Sales - Intersegment	$ —	—	716.4	—	35.0	(751.4)	$ —
Depreciation & Amortization	$ 459.8	7.7	100.5	83.5	6.3	25.9	$ 683.7
Income Before Income Taxes	$ 1,984.8	18.2	115.0	115.3	8.8	(409.6)	$ 1,832.5
Equity Income, Net of Tax	$ —	50.3	—	—	—	—	$ 50.3
Income from Continuing Operations	$ 1,230.6	61.6	71.3	71.5	5.5	(261.3)	$ 1,179.2
Balance Sheet Information:							
Total Assets	$ 7,121.1	1,636.9	863.9	1,291.7	220.1	593.4	$ 11,727.1
Equity Method Investments	$ —	1,045.6	—	—	—	—	$ 1,045.6
Foreign-Located Fixed Assets	$ —	128.7	—	—	—	—	$ 128.7
Capital Expenditures	$ 888.5	36.8	98.1	140.1	15.0	20.8	$ 1,199.3
1996	*Domestic Beer*	*Int'l Beer*	*Pkg.*	*Enter. (2)*	*Other*	*Corp. & Elims (1)*	*Consol.*
Income Statement Information:							
Gross Sales	$ 9,971.3	724.4	1,828.4	681.4	167.9	(751.9)	$ 12,621.5
Net Sales - External	$ 8,233.5	724.4	1,122.8	681.4	121.6	—	$ 10,883.7
Net Sales - Intersegment	$ —	—	705.6	—	46.3	(751.9)	$ —
Depreciation & Amortization	$ 407.9	5.5	91.9	75.9	6.1	24.2	$ 611.5
Income Before Income Taxes	$ 1,948.8	50.0	118.2	147.4	3.9	(375.4)	$ 1,892.9
Income from Continuing Operations	$ 1,190.7	30.6	72.2	90.1	2.4	(229.9)	$ 1,156.1
Balance Sheet Information:							
Total Assets	$ 6,488.9	1,061.8	871.1	1,283.9	229.9	528.0	$ 10,463.6
Foreign-Located Fixed Assets	$ —	75.0	—	—	—	—	$ 75.0
Capital Expenditures	$ 775.2	35.1	90.3	136.9	16.6	30.5	$ 1,084.6

Note 1: Corporate assets principally include cash, marketable securities, deferred charges and certain fixed assets. Eliminations impact only gross and intersegment sales.

Note 2: Entertainment segment results for 1996 include the gain on the sale of the St. Louis Cardinals ($54.7 million pretax, $33.4 million after-tax).

6. Stock Option Plans

Under terms of the company's incentive stock option plans, officers and certain other employees may be granted options to purchase the company's common stock at no less than 100% of the market price on the date the option is granted. Options generally vest over three years and have a maximum term of 10 years. At December 31, 1998, 1997 and 1996, a total of 44 million, 27 million and 31 million shares, respectively, were reserved for future issuance under the plans. Certain of the plans also provide for the granting of stock appreciation rights (SARs) in tandem with stock options. The exercise of an SAR cancels the related option and the exercise of an option cancels the related SAR. There were no SARs outstanding under the plans at December 31, 1998 and 1997.

Presented below is a summary of stock option plans activity for the years shown:

	Options	*Wtd. Avg. Exercise Price*	*Options Exercisable*	*Wtd. Avg. Exercise Price*
Balance, December 31, 1995	25,292,878	$25.36		
Granted	4,149,588	40.59		
Exercised	(4,945,152)	22.37		
Cancelled	(176,650)	28.22		
Balance, December 31, 1996	24,320,664	$28.55	15,230,871	$24.67
Granted	5,558,073	43.37		
Exercised	(3,971,384)	22.48		
Cancelled	(185,377)	35.11		
Balance, December 31, 1997	25,721,976	$32.64	15,908,186	$27.69
Granted	**5,043,905**	**59.82**		
Exercised	**(4,084,369)**	**24.70**		
Cancelled	**(139,691)**	**40.81**		
Balance, December 31, 1998	**26,541,821**	**$38.98**	**16,712,205**	**$31.79**

The following table summarizes information for options outstanding and exercisable at December 31, 1998:

	Options Outstanding			*Options Exercisable*	
Range of Prices	*Number*	*Wtd. Avg. Remaining Life*	*Wtd. Avg. Exercise Price*	*Number*	*Wtd. Avg. Exercise Price*
$15-26	**5,246,849**	**4 yrs**	**$23.36**	**5,246,849**	**$23.36**
27-37	**6,962,821**	**6 yrs**	**31.29**	**6,944,575**	**31.29**
38-48	**9,297,246**	**8 yrs**	**42.26**	**4,388,004**	**41.80**
49-60	**5,034,905**	**10 yrs**	**59.85**	**132,777**	**59.93**
$15-60	**26,541,821**	**7 yrs**	**$38.98**	**16,712,205**	**$31.79**

Option quantities and prices have been adjusted for the impact of the Earthgrains spin-off and the two-for-one stock split in September 1996.

The company's stock option plans provide for acceleration of exercisability of the options upon the occurrence of certain events relating to a change of control, merger, sale of assets or liquidation of the company (Acceleration Events). Certain of the plans also provide that optionees may be granted Limited Stock Appreciation Rights (LSARs). LSARs become exercisable, in lieu of an option, upon the occurrence, at least six months following the date of grant, of an Acceleration Event. The LSARs entitle the holder to a cash payment per share equivalent to the excess of the share value (under terms of the LSAR) over the grant price. As of December 31, 1998 and 1997, there were .1 million and .4 million, respectively, of LSARs outstanding.

Pro Forma Fair Value Disclosures

Had compensation expense for the company's stock options been recognized based on the fair value on the grant date under the methodology prescribed by FAS 123, the company's income from continuing operations and earnings per share for the three years ended December 31, would have been impacted as shown in the following table (in millions, except per share).

	1998	*1997*	*1996*
Reported income from continuing operations	**$1,233.3**	$1,179.2	$1,156.1
Pro forma income from continuing operations	**1,209.3**	1,165.0	1,149.0
Reported diluted earnings per share from continuing operations	**2.53**	2.36	2.27
Pro forma diluted earnings per share from continuing operations	**2.48**	2.33	2.26

The fair value of options granted, which is amortized to expense over the option vesting period in determining the pro forma impact, is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1998	*1997*	*1996*
Expected life of option	**5 yrs.**	5 yrs.	5 yrs.
Risk-free interest rate	**4.7%**	5.7%	6.2%
Expected volatility of Anheuser-Busch stock	**16%**	15%	15%
Expected dividend yield on Anheuser-Busch stock	**1.7%**	2.3%	2.3%

The weighted average fair value of options granted during 1998, 1997 and 1996 is as follows:

	1998	*1997*	*1996*
Fair value of each option granted	**$11.72**	$8.37	$8.30
Total number of options granted (in millions)	**5.0**	5.6	4.1
Total fair value of all options granted (in millions)	**$ 58.6**	$46.9	$34.0

In accordance with FAS 123, the weighted average fair value of stock options granted is required to be based on a theoretical statistical model using the preceding Black-Scholes assumptions. In actuality, because the company's incentive stock options are not traded on any exchange, employees can receive no value nor derive any benefit from holding stock options under these plans without an increase in the market price of Anheuser-Busch stock. Such an increase in stock price would benefit all stockholders commensurately.

7. Employee Stock Ownership Plans

In 1989, the company added Employee Stock Ownership Plans (ESOPs) to its existing Deferred Income Stock Purchase and Savings Plans. Most regular employees are eligible for participation in the ESOPs. The ESOPs initially borrowed $500 million for a term of 15 years at an interest rate of 8.25% and used the proceeds to buy approximately 22.7 million shares of common stock from the company at market price. The debt is guaranteed by the company and the shares are being allocated to participants over the 15 year period as contributions are made to the plans. The ESOP purchased an additional .2 million shares from the company using proceeds from the sale of spin-off-related Earthgrains shares in 1996. Of the 22.9 million total shares purchased, 15.5 million shares have been allocated to plan participants.

ESOP cash contributions and expense accrued during the calendar year are determined by several factors, including the market price and number of shares allocated to participants, debt service, dividends on unallocated shares and the company's matching contribution. Over the 15-year life of the ESOPs, total expense recognized will equal total cash contributions made by the company for ESOP debt service.

ESOP cash contributions are made in March and September in accordance with debt service requirements. A summary of cash contributions and dividends on unallocated ESOP shares for the three years ended December 31, is presented below (in millions):

	1998	1997	1996
Cash contributions	**$14.2**	$15.2	$21.8
Dividends	**$ 8.9**	$ 9.9	$10.4

ESOP expense is allocated to operating expense and interest expense based on the ratio of principal and interest payments on the debt. Total ESOP expense for the three years ended December 31, is presented below (in millions):

	1998	1997	1996
Operating expense	**$ 7.4**	$ 8.6	$14.3
Interest expense	**4.5**	6.7	11.6
Total ESOP expense	**$11.9**	$15.3	$25.9

8. Preferred and Common Stock

Common Stock Activity

Activity for the company's common stock for the three years ended December 31, is summarized below (in millions of shares):

	1998	1997	1996
Common Stock Issued			
Beginning common stock issued	**709.3**	705.8	694.5
Shares issued under stock plans	**3.4**	3.5	3.7
Conversion of convertible debentures	**—**	—	7.6
Total common stock issued	**712.7**	709.3	705.8
Treasury Stock Held			
Beginning treasury stock held	**(222.2)**	(208.4)	(186.5)
Treasury stock acquired, net of issuances of .4 in 1996	**(13.9)**	(13.8)	(21.9)
Cumulative treasury stock held	**(236.1)**	(222.2)	(208.4)
Common Stock Outstanding	**476.6**	487.1	497.4

Preferred Stock

At December 31, 1998 and 1997, 40,000,000 shares of $1.00 par value preferred stock were authorized and unissued.

Common Stock Split

In July 1996, the Board of Directors authorized a two-for-one stock split, effective for shareholders of record August 15, 1996. Certificates for one additional share of Anheuser-Busch common stock for each share held at the record date were distributed to shareholders on September 12, 1996. All share and per share information has been adjusted to reflect the impact of the split.

Stock Repurchase Programs

The Board of Directors has approved various resolutions authorizing the company to purchase shares of its common stock to return cash to shareholders and to meet the requirements of the company's various stock purchase and incentive plans. The most recent resolution was approved by the Board in July 1996 and authorized the repurchase of 50 million shares. The company acquired 13.9 million, 13.8 million and 22.3 million shares of common stock in 1998, 1997 and 1996 for

$688.8 million, $587.1 million and $770.2 million, respectively. At December 31, 1998, approximately 25 million shares were available for repurchase under the 1996 authorization.

Stockholder Rights Plan

The Board of Directors adopted a Stockholder Rights Plan in 1985 (extended in 1994) which would permit shareholders to purchase common stock at prices substantially below market value under certain change in control scenarios.

9. Retirement Benefits

Pension Plans

The company has pension plans covering substantially all of its regular employees. Total pension expense for the three years ended December 31, is presented below (in millions):

	1998	*1997*	*1996*
Single-employer defined benefit plans	**$ 3.3**	$12.0	$18.6
Multi-employer plans	**14.4**	13.2	20.2
Defined contribution plans	**18.2**	15.9	18.3
Total pension expense	**$35.9**	$41.1	$57.1

Contributions to multi-employer plans in which the company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts and are based on employee hours or weeks worked. Expense recognized for multi-employer and defined contribution plans equals cash contributions for all years shown.

Net annual pension expense for single-employer defined benefit plans was comprised of the following for the three years ended December 31, (in millions):

	1998	*1997*	*1996*
Service cost (benefits earned during the year)	**$ 53.4**	$ 51.5	$ 49.3
Interest cost on projected benefit obligation	**106.4**	100.7	76.3
Assumed return on assets	**(156.8)**	(141.0)	(107.9)
Amortization of prior service cost, actuarial gains/losses and the excess of market value of plan assets over projected benefit obligation at January 1, 1986	**.3**	.8	.9
Net annual pension expense	**$ 3.3**	$ 12.0	$ 18.6

The key actuarial assumptions used in determining annual pension expense for single-employer defined benefit plans were as follows for the three years ended December 31,:

	1998	*1997*	*1996*
Discount rate	**7.5%**	7.75%	7.5%
Long-term rate of return on plan assets	**10.0%**	10.0%	10.0%
Weighted average rate of compensation increase	**4.75%**	5.5%	5.5%

The following table provides a reconciliation of funded status to prepaid pension cost for the two years ended December 31, (in millions):

	1998	*1997*
Funded status - plan assets in excess of projected benefit obligation (PBO)	**$120.2**	$ 393.0
Unamortized excess of market value of plan assets over PBO at January 1, 1986, being amortized over 15 years	**(23.0)**	(33.3)
Unrecognized net actuarial (gain)	**(61.8)**	(240.8)
Unamortized prior service cost	**167.9**	66.2
Prepaid pension cost	**$203.3**	$ 185.1

The assumptions used in determining the funded status of the plans as of December 31, were as follows:

	1998	1997
Discount rate	**7.0%**	7.5%
Weighted average rate of compensation increase	**4.75%**	4.75%

The following tables summarize the changes in the projected benefit obligation and the change in fair market value of plan assets for all company single-employer defined benefit pension plans for the two years ended December 31, (in millions).

Change in Projected Benefit Obligation (PBO):

	1998	1997
PBO, beginning of year	**$1,428.4**	$1,327.3
Service cost	**53.4**	51.5
Interest cost	**106.4**	100.7
Plan amendments	**111.9**	2.9
Actuarial loss	**92.0**	9.5
Benefits paid	**(88.1)**	(63.5)
PBO, end of year	**$1,704.0**	$1,428.4

Change in Plan Assets (consisting primarily of corporate equity securities and publicly traded bonds):

	1998	1997
Fair market value, beginning of year	**$1,821.4**	$1,458.9
Actual return on plan assets	**68.7**	396.1
Employer contributions	**22.2**	29.9
Benefits paid	**(88.1)**	(63.5)
Fair market value, end of year	**$1,824.2**	$1,821.4

Postretirement Health Care and Insurance Benefits

The company provides certain health care and life insurance benefits to eligible retired employees. Most current participants become eligible for retiree health care benefits if they accrue 10 years of continuous service after age 45.

The following table sets forth the accumulated postretirement benefit obligation (APBO) and the total postretirement benefit liability for all company single-employer defined benefit health care and life insurance plans at December 31 (in millions). Postretirement benefit obligations are not prefunded and there are no assets associated with the plans.

	1998	1997
Accumulated postretirement benefit obligation (APBO)	**$348.1**	$318.4
Unrecognized prior service benefits	**87.9**	99.6
Unrecognized net actuarial gains	**98.7**	119.4
Total postretirement benefit liability	**$534.7**	$537.4

As of December 31, 1998 and 1997, $18.9 million and $12.0 million of these obligations were classified as current liabilities and $515.8 million and $525.4 million were classified as long-term liabilities, respectively.

Net periodic postretirement benefits expense for company single-employer defined benefit health care and life insurance plans was comprised of the following for the three years ended December 31, (in millions):

	1998	*1997*	*1996*
Service cost (benefits attributed to service during the year)	**$ 13.6**	$ 12.0	$ 17.1
Interest cost on APBO	**23.3**	23.2	22.9
Amortization of prior service benefit	**(11.7)**	(11.7)	(11.7)
Amortization of actuarial gains	**(8.9)**	(10.1)	(7.4)
Net periodic postretirement benefits expense	**$ 16.3**	$ 13.4	$ 20.9

The following table summarizes the change in the APBO for the two years ended December 31, (in millions):

	1998	*1997*
APBO, beginning of year	**$318.4**	$296.6
Service cost	**13.6**	12.0
Interest cost	**23.3**	23.2
Actuarial loss/(gain)	**11.8**	(.8)
Benefits paid	**(19.0)**	(12.6)
APBO, end of year	**$348.1**	$318.4

In measuring the APBO, annual trend rates for health care costs of 8.7%, 8.3% and 9.0% were assumed for 1998, 1997 and 1996, respectively. These rates were assumed to decline ratably over the subsequent 9-12 years to 5.95 % for 1998, 5.3% for 1997 and 6.5% for 1996, and remain at that level thereafter. The weighted average discount rate used in determining the APBO was 7.5% and 8.0% at December 31, 1998 and 1997, respectively.

If the assumed health care cost trend rate changed by 1%, the APBO as of December 31, 1998 would change by 14%. A 1% change in the health care cost trend rate would result in a corresponding change of 15% in net periodic postretirement benefits expense.

10. Earnings per Share of Common Stock

Basic earnings per share are based on the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the year.

Reconciliations of income available to common shareholders and weighted average shares outstanding between basic and diluted earnings per share for the three years ended December 31, follow (in millions):

Weighted Average Shares Outstanding

	1998	1997	1996
Basic weighted average shares outstanding	**482.1**	492.6	499.1
Stock option shares	**5.4**	7.1	6.7
Shares related to convertible debentures	**—**	—	4.8
Diluted weighted average shares outstanding	**487.5**	499.7	510.6

Income Available to Common Shareholders

	1998	1997	1996
Basic income from continuing operations	**$1,233.3**	$1,179.2	$1,156.1
After-tax interest on convertible debentures	**—**	—	5.3
Diluted income from continuing operations	**$1,233.3**	$1,179.2	$1,161.4

11. Income Taxes

The provision for income taxes consists of the following for the three years ended December 31, (in millions):

	1998	1997	1996
Current tax provision:			
Federal	**$564.3**	$510.9	$490.9
State and foreign	**105.5**	101.3	106.8
	669.8	612.2	597.7
Deferred tax provision:			
Federal	**31.6**	78.2	139.2
State and foreign	**2.9**	13.2	19.9
	34.5	91.4	159.1
Total tax provision	**$704.3**	$703.6	$756.8

The provision for income taxes for 1996 includes $20.0 million for discontinued operations.

The deferred tax provision results from differences in the recognition of income and expense for tax and financial reporting purposes. The primary differences for continuing operations are related to fixed assets (tax effect of $51.5 million in 1998, $67.8 million in 1997 and $56.9 million in 1996).

At December 31, 1998 and 1997, the company had deferred tax liabilities of $1,841.3 million and $1,784.1 million, and deferred tax assets of $537.7 million and $490.5 million, respectively. The deferred tax liabilities are primarily related to fixed assets of $1,601.1 million and $1,549.6 million, respectively. The deferred tax assets are related to accrued postretirement benefits ($202.1 million and $203.7 million, respectively) and other accruals and temporary differences ($335.6 million and $286.8 million, respectively) which are not deductible for tax purposes until paid or utilized. Foreign deferred tax assets and liabilities were not material at December 31, 1998.

A reconciliation between the statutory tax rate and the effective tax rate for continuing operations for the three years ended December 31, is presented below:

	1998	1997	1996
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State taxes, net of federal benefit	**3.4**	3.5	3.6
Other taxes	**(.4)**	(.1)	.3
Effective tax rate	**38.0%**	38.4%	38.9%

12. Supplemental Information

Accounts payable include $135.0 million and $123.9 million, respectively, of outstanding checks at December 31, 1998 and 1997.

Supplemental information with respect to cash flows for the three years ended December 31, is presented below (in millions):

	1998	1997	1996
Cash paid during the year:			
Interest, net of interest capitalized	**$ 263.3**	$ 205.1	$ 208.0
Income taxes	**644.3**	609.5	533.6
Excise taxes	**1,966.6**	1,760.6	1,720.1
Noncash financing activities:			
Conversions of 8% convertible debentures	**$ —**	$ —	$ 166.0
Changes in noncash working capital:			
Decrease/(increase) in noncash current assets:			
Accounts receivable	**$ 103.3**	$ (80.7)	$ (88.4)
Inventories	**(73.2)**	(19.1)	51.6
Other current assets	**(9.1)**	35.4	81.6
Increase/(decrease) in current liabilities:			
Accounts payable	**113.9**	65.0	44.0
Accrued salaries, wages and benefits	**32.0**	(3.3)	(19.4)
Accrued taxes	**9.7**	(49.1)	146.7
Other current liabilities	**74.0**	57.2	17.6
Decrease in noncash working capital	**$ 250.6**	$ 5.4	$ 233.7

The components of plant and equipment, net, at December 31, are summarized below (in millions):

	1998	1997
Land	**$ 250.9**	$ 243.9
Buildings	**3,569.9**	3,355.5
Machinery and equipment	**9,570.4**	8,806.8
Construction in progress	**446.5**	821.4
	13,837.7	13,227.6
Accumulated depreciation	**(5,988.7)**	(5,477.0)
Total plant and equipment, net	**$ 7,849.0**	$ 7,750.6

The components of other assets at December 31, are summarized below (in millions):

	1998	1997
Investment properties	**$ 116.4**	$ 128.1
Deferred charges	**555.7**	515.8
Goodwill	**442.2**	451.9
Total other assets	**$1,114.3**	$1,095.8

Summarized below is selected legal entity financial information for Anheuser-Busch, Inc., a wholly-owned subsidiary of Anheuser-Busch Companies, as of and for the years ended December 31, (in millions). This information is provided to satisfy certain reporting requirements necessitated by Anheuser-Busch, Inc. being co-obligor on substantially all Anheuser-Busch Companies debt.

	1998	*1997*	*1996*
Income Statement Information:			
Net sales	**$ 8,408.0**	$ 8,116.3	$ 8,100.3
Gross profit	**3,197.1**	3,141.2	3,172.4
Income from continuing operations (1)	**969.7**	906.8	907.1
Balance Sheet Information:			
Current assets	**$ 581.4**	$ 623.9	
Noncurrent assets	**17,086.7**	15,619.0	
Current liabilities	**733.9**	677.7	
Noncurrent liabilities (1)	**4,998.6**	4,599.4	

(1) All guaranteed debt for which Anheuser-Busch, Inc. is co-obligor is included as an element of noncurrent liabilities, with related interest included in the determination of income from continuing operations.

13. Change in Accounting Principle

In November 1997, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board released consensus No. 97-13, "Accounting for Costs Incurred in Connection with a Consulting Project or an Internal Project That Combines Business Process Reengineering and Information Technology Transformation." The EITF consensus specifically defined systems reengineering costs and mandated such costs be expensed as incurred. Additionally, any systems reengineering costs previously capitalized and unamortized were to be immediately charged against earnings.

In accordance with the EITF consensus, the company recorded a $10 million after-tax charge ($.02 per share) to expense capitalized systems reengineering costs in the fourth quarter 1997. The charge is shown as a separate cumulative effect of accounting change line item in the income statement. Prospectively, the company will expense all such costs as incurred.

14. Divestiture of Food Products Segment

In the fourth quarter 1995, the company announced its intention to divest its food products segment through a tax-free spin off of its Earthgrains baking subsidiary and the sale of the assets of Eagle Snacks, Inc. The Earthgrains spin-off was completed March 26, 1996, and in June 1996 the company sold most of its Eagle Snacks production facilities, which effectively completed the divestiture. Accordingly, the company revised its estimated loss provision for the disposition of the food products segment and recorded a $33.8 million after-tax gain ($.07 per share) in the second quarter 1996, which is reported as income from discontinued operations. The pretax gain on the sale of the Eagle Snacks assets was $53.8 million, with a related income tax provision of $20.0 million.

15. Sale of the St. Louis Cardinals

During the first quarter 1996, the company completed the sale of its Major League Baseball team, the St. Louis Cardinals. The sale included Busch Memorial Stadium, nearby parking garages and other properties in downtown St. Louis. The sale price was $150 million and resulted in a pretax gain of $54.7 million ($.06 per share after-tax) which is presented as a separate line item in the income statement.

16. Commitments and Contingencies

In connection with plant expansion and improvement programs, the company had commitments for capital expenditures of approximately $118 million at December 31, 1998. Obligations under capital and operating leases are not material.

The company and certain of its subsidiaries are involved in certain claims and legal proceedings in which monetary damages and other relief are sought. The company is vigorously contesting these claims. However, resolution of these claims is not expected to occur quickly, and their ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of all existing claims, legal proceedings and other contingencies, either individually or in the aggregate, will not materially affect either the company's financial position, liquidity or results of operations.

17. Quarterly Financial Data (Unaudited)

Year Ended December 31, 1998	*1st Quarter*	*2nd Quarter*	*3rd Quarter*	*4th Quarter*	*Annual*
Net Sales	**$2,507.5**	**$3,006.3**	**$3,122.0**	**$2,610.0**	**$11,245.8**
Gross Profit	**868.7**	**1,142.9**	**1,226.4**	**845.3**	**4,083.3**
Income from Continuing Operations	**265.2**	**391.2**	**408.3**	**168.6**	**1,233.3**
Diluted Earnings per Share	**.54**	**.80**	**.84**	**.35**	**2.53**

Year Ended December 31, 1997	*1st Quarter*	*2nd Quarter*	*3rd Quarter*	*4th Quarter*	*Annual*
Net Sales	$ 2,462.9	$ 2,994.3	$ 3,101.6	$ 2,507.4	$ 11,066.2
Gross Profit	865.9	1,124.7	1,178.0	800.7	3,969.3
Income from Continuing Operations	$ 257.7	$ 381.2	$ 393.5	$ 146.8	$ 1,179.2
Cumulative Effect of Accounting Change	—	—	—	(10.0)	(10.0)
Net Income	$ 257.7	$ 381.2	$ 393.5	$ 136.8	$ 1,169.2
Diluted Earnings per Share:					
Income from Continuing Operations	$ .51	$ .76	$ .79	$ .30	$ 2.36
Cumulative Effect of Accounting Change	—	—	—	(.02)	(.02)
Net Income	$ .51	$ .76	$ .79	$ .28	$ 2.34

Financial Summary — Operations

Anheuser-Busch Companies and Subsidiaries

(In millions, except per share data)

	1998	1997	1996
Consolidated Summary of Operations:			
Barrels of A-B beer brands sold worldwide	**99.8**	96.6	95.1
Sales	**$13,207.9**	$12,832.4	$12,621.5
Beer excise taxes	**1,962.1**	1,766.2	1,737.8
Net sales	**11,245.8**	11,066.2	10,883.7
Cost of products and services	**7,162.5**	7,096.9	6,964.6
Gross profit	**4,083.3**	3,969.3	3,919.1
Marketing, distribution and administrative expenses	**1,958.0**	1,916.3	1,890.0
Gain on sale of St. Louis Cardinals	**—**	—	54.7
Shutdown of Tampa brewery	**—**	—	—
Restructuring charge	**—**	—	—
Operating income	**2,125.3**	2,053.0	2,083.8 (2)
Interest expense	**(291.5)**	(261.2)	(232.8)
Interest capitalized	**26.0**	42.1	35.5
Interest income	**5.8**	7.9	9.4
Other income/(expense), net	**(13.0)**	(9.3)	(3.0)
Income before income taxes	**1,852.6**	1,832.5	1,892.9 (2)
Provision for income taxes (current and deferred)	**704.3**	703.6	736.8
Revaluation of deferred tax liability under FAS 109	**—**	—	—
Equity income, net of tax	**85.0**	50.3	—
Income from continuing operations	**1,233.3**	1,179.2	1,156.1 (2)
Income/(loss) from discontinued operations	**—**	—	33.8
Income before accounting changes	**1,233.3**	1,179.2	1,189.9
Cumulative effect of accounting changes	**—**	(10.0) (1)	—
Net Income	**$ 1,233.3**	$ 1,169.2	$ 1,189.9
Basic Earnings Per Share:			
Continuing operations	**$ 2.56**	$ 2.39	$ 2.31
Discontinued operations	**—**	—	.07
Income before accounting changes	**2.56**	2.39	2.38
Cumulative effect of accounting changes	**—**	(.02) (1)	—
Net income	**$ 2.56**	$ 2.37	$ 2.38
Diluted Earnings Per Share:			
Continuing operations	**$ 2.53**	$ 2.36	$ 2.27 (2)
Discontinued operations	**—**	—	.07
Income before accounting changes	**2.53**	2.36	2.34
Cumulative effect of accounting changes	**—**	(.02) (1)	—
Net income	**$ 2.53**	$ 2.34	$ 2.34
Cash dividends paid on common stock	**$ 521.0**	$ 492.6	$ 458.9
Per share	**1.08**	1.00	.92
Weighted average number of common shares:			
Basic	**482.1**	492.6	499.1
Diluted	**487.5**	499.7	510.6

Note: All per share information and average number of common shares data reflect the September 12, 1996 two-for-one stock split and the 1997 adoption of FAS 128, “Earnings per Share,” as applicable. All financial information has been restated to recognize the 1995 divestiture of the food products segment. All amounts include the acquisition of SeaWorld as of December 1, 1989.

Note 1: 1997 change in accounting for deferred systems reengineering costs, net of tax of $6.2 million. 1992 change in accounting for income taxes and postretirement benefits, net of tax benefit of $186.4 million.

Note 2: 1996 results include the impact of the gain on the sale of the St. Louis Cardinals. Excluding the Cardinal gain, operating income, pretax income, income from continuing operations and diluted earnings per share would have been $2,029.1 million, $1,838.2 million, $1,122.7 million and $2.21, respectively.

1995	1994	1993	1992	1991	1990	1989	1988
90.9	91.3	89.7	88.9	87.9	88.1	82.2	79.9
$12,004.5	$11,705.0	$11,147.3	$11,008.6	$10,631.9	$9,716.1	$8,553.7	$8,120.5
1,664.0	1,679.7	1,679.8	1,668.6	1,637.9	868.1	802.3	781.0
10,340.5	10,025.3	9,467.5	9,340.0	8,994.0	8,848.0	7,751.4	7,339.5
6,791.0	6,492.1	6,167.6	6,051.8	5,953.5	5,963.4	5,226.5	4,878.1
3,549.5	3,533.2	3,299.9	3,288.2	3,040.5	2,884.6	2,524.9	2,461.4
1,756.6	1,679.9	1,612.1	1,583.7	1,409.5	1,364.9	1,244.3	1,245.2
—	—	—	—	—	—	—	—
160.0	—	—	—	—	—	—	—
—	—	401.3	—	—	—	—	—
1,632.9 [3]	1,853.3	1,286.5 [4]	1,704.5	1,631.0	1,519.7	1,280.6	1,216.2
(225.9)	(219.3)	(205.1)	(194.6)	(234.0)	(277.2)	(172.9)	(134.6)
24.3	21.8	35.2	46.9	45.6	52.5	49.8	42.9
9.9	2.6	3.4	4.4	6.6	4.3	7.9	9.8
20.5	17.6	21.0	(2.5)	1.3	(16.5)	17.7	(15.5)
1,461.7 [3]	1,676.0	1,141.0 [4]	1,558.7	1,450.5	1,282.8	1,183.1	1,118.8
575.1	661.5	452.6	594.6	549.6	481.4	438.2	422.0
—	—	31.2	—	—	—	—	—
—	—	—	—	—	—	—	—
886.6 [3]	1,014.5	657.2 [4]	964.1	900.9	801.4	744.9	696.8
(244.3)	17.6	(62.7)	30.1	38.9	41.0	22.3	19.1
642.3	1,032.1	594.5	994.2	939.8	842.4	767.2	715.9
—	—	—	(76.7) [1]	—	—	—	—
$ 642.3	$ 1,032.1	$ 594.5	$ 917.5	$ 939.8	$ 842.4	$ 767.2	$ 715.9
$ 1.73	$ 1.93	$ 1.20	$ 1.71	$ 1.59	$ 1.42	$ 1.32	$ 1.20
(.47)	.04	(.11)	.05	.06	.07	.04	.04
1.26	1.97	1.09	1.76	1.65	1.49	1.36	1.24
—	—	—	(.13) [1]	—	—	—	—
$ 1.26	$ 1.97	$ 1.09	$ 1.63	$ 1.65	$ 1.49	$ 1.36	$ 1.24
$ 1.71 [3]	$ 1.90	$ 1.20 [4]	$ 1.68	$ 1.56	$ 1.40	$ 1.30	$ 1.19
(.47)	.04	(.11)	.05	.06	.07	.04	.04
1.24	1.94	1.09	1.73	1.62	1.47	1.34	1.23
—	—	—	(.13) [1]	—	—	—	—
$ 1.24	$ 1.94	$ 1.09	$ 1.60	$ 1.62	$ 1.47	$ 1.34	$ 1.23
$ 429.5	$ 398.8	$ 370.0	$ 338.3	$ 301.1	$ 265.0	$ 226.2	$ 188.6
.84	.76	.68	.60	.53	.47	.40	.33
510.9	524.6	544.3	563.7	568.0	563.7	565.5	577.1
524.4	538.0	558.6	581.6	585.8	579.4	572.4	584.4

Note 3: 1995 results include the impact of the one-time pretax charge of $160 million for the closure of the Tampa brewery, and the $74.5 million pretax impact of the beer wholesaler inventory reduction. Excluding these nonrecurring special items, operating income, pretax income, income from continuing operations and diluted earnings per share would have been $1,867.4 million, $1,696.2 million, $1,032.3 million and $1.99, respectively.

Note 4: 1993 results include the impact of two nonrecurring special charges. These charges are (1) a restructuring charge ($401.3 million, pretax) and (2) a revaluation of the deferred tax liability due to the 1% increase in federal tax rates ($31.2 million, after-tax). Excluding these nonrecurring special charges, operating income, pretax income, income from continuing operations and diluted earnings per share would have been $1,687.8 million, $1,542.3 million, $935.2 million and $1.69, respectively.

Financial Summary — Balance Sheet and Other Information

Anheuser-Busch Companies and Subsidiaries

(In millions, except per share and statistical data)

	1998	1997	1996
Balance Sheet Information:			
Working capital (deficit)	**$ (89.9)**	$ 83.2	$ 34.9
Current ratio	**0.9**	1.1	1.0
Plant and equipment, net	**7,849.0**	7,750.6	7,208.2
Long-term debt	**4,718.6**	4,365.6	3,270.9
Total debt to total capitalization ratio	**52.8%**	51.9%	44.8%
Deferred income taxes	**1,303.6**	1,293.6	1,208.1
Shareholders equity	**4,216.0**	4,041.8	4,029.1
Return on shareholders equity	**29.9%**	29.2% (1)	30.0% (2)
Book value per share	**8.84**	8.30	8.10
Total assets	**12,484.3**	11,727.1	10,463.6
Other Information:			
Capital expenditures	**$ 817.5**	$ 1,199.3	$ 1,084.6
Depreciation and amortization	**738.4**	683.7	611.5
Effective tax rate	**38.0%**	38.4%	38.9%
Price/earnings ratio	**25.9**	18.6 (1)	17.6 (2)
Percent of pretax profit on net sales	**16.5%**	16.6%	17.4%
Market price range of common stock (high and low closing)	**68¼-43⁷⁄₁₆**	47⅞-39½	42⅞-32½

Note: All share and per share information reflects the September 12, 1996 two-for-one stock split. All financial information has been restated to recognize the 1995 divestiture of the food products segment. All amounts include the acquisition of SeaWorld as of December 1, 1989.

Note 1: These ratios have been calculated based on income from continuing operations before the cumulative effect of accounting changes.

Note 2: These ratios have been calculated based on reported income from continuing operations, which includes the $54.7 million pretax gain on the sale of the St. Louis Cardinals. Excluding the Cardinal gain, return on shareholders equity would have been 29.2% and the price/earnings ratio would have been 18.1.

Note 3: These ratios have been calculated based on reported income from continuing operations. Excluding the two nonrecurring 1995 items ($160 million pretax charge for closure of the Tampa brewery and $74.5 million impact of the beer wholesaler inventory reduction), return on shareholders equity would have been 29.1% and the price/earnings ratio would have been 16.8.

Note 4: These ratios have been calculated based on reported income from continuing operations. Excluding the two nonrecurring 1993 charges ($401.3 million pretax restructuring charge and $31.2 million after-tax FAS 109 charge), return on shareholders equity would have been 26.7% and the price/earnings ratio would have been 13.8.

1995	1994	1993	1992	1991	1990	1989	1988
$ 268.6	$ 57.0	$ (41.3)	$ 247.8	$ 107.9	$ (62.8)	$ (82.8)	$ (23.7)
1.2	1.0	1.0	1.2	1.1	0.9	0.9	1.0
6,763.0	6,494.6	6,454.7	6,424.7	6,260.6	6,102.2	5,768.0	4,624.2
3,270.1	3,066.4	3,019.7	2,630.3	2,627.9	3,115.8	3,268.9	1,570.0
47.1%	47.3%	47.3%	42.0%	43.9%	54.5%	60.7%	41.7%
1,132.8	1,081.5	1,013.1	1,065.5	1,401.0	1,309.3	1,241.9	1,155.8
4,433.9	4,415.5	4,255.5	4,620.4	4,438.1	3,679.1	3,099.9	3,102.9
25.0% [3]	29.9%	18.8% [4]	27.6% [1]	30.2%	34.0%	34.6%	33.3%
7.22	6.64	6.31	6.51	5.90	4.60	3.74	3.87
10,590.9	10,547.4	10,267.7	9,954.9	9,642.5	9,274.2	8,690.1	6,788.9
$ 952.5	$ 662.8	$ 656.3	$ 628.8	$ 625.5	$ 805.3	$ 979.0	$ 858.1
573.9	517.0	492.7	453.3	437.0	404.3	333.1	306.5
39.3%	39.5%	42.4%	38.1%	37.9%	37.5%	37.0%	37.7%
19.6 [3]	13.1	22.6 [4]	16.9 [1]	18.9	14.6	14.4	12.9
14.1%	16.7%	12.1%	16.7%	16.1%	14.5%	15.3%	15.2%
34-25⅜	27⅝-23½	30-22	30¼-26	30¾-19¾	22½-17⅛	22⅞-15¼	17-14½

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Vice President and Chief Information Officer

Charles R. Koenig
Vice President—Corporate Purchasing

William J. Kimmins Jr.
Vice President and Treasurer

John D. Castagno
Tax Controller

Gary R. Aldenderfer
General Auditor

Laura H. Reeves
Assistant Secretary

David C. Sauerhoff
Assistant Treasurer

William J. Mayor
Assistant Controller

Principal Officers of Anheuser-Busch Companies Subsidiaries

Anheuser-Busch, Inc.

(†Member of the Anheuser-Busch, Inc. Management Committee)

August A. Busch III
Chairman of the Board and Chief Executive Officer

Patrick T. Stokes†
President

James F. Hoffmeister†
Vice President—Administration

Gary R. Welker†
Vice President—Distribution Systems and Services

Anthony T. Ponturo†
Vice President—Corporate Media and Sports Marketing

Joseph P. Sellinger†
Vice President—Operations

August A. Busch IV†
Vice President—Marketing

Joseph P. Castellano†
Vice President—Wholesale Operations Division

Phillip J. Colombatto†
Vice President—Quality Assurance

Michael J. Brooks†
Vice President—Sales

Douglas J. Muhleman†
Vice President—Brewing

Robert C. Lachky†
Vice President—Brand Management

Marie C. Carroll†
Vice President—Finance and Planning

Michael J. Owens†
Vice President—Retail Marketing

Joseph V. Corcoran
Vice President—National On-Premise Sales

Robert J. Goughenour
Vice President—Wholesaler Development

Michael S. Harding
Vice President—Plant Operations

Heinrich K. Heissinger
Vice President—Brewing Research and Technology

Joseph M. Hoff
Vice President—National Off-Premise Sales

William B. Jones
Vice President—Business Development

Salvatore J. LaMartina
Vice President—Revenue Management

Peter C. McLoughlin
Vice President—Corporate Media

Principal Officers of Anheuser-Busch Companies Subsidiaries continued

Anheuser-Busch International, Inc.

John H. Purnell
Chairman of the Board

Stephen J. Burrows
Chief Executive Officer and President

John S. Koykka
Executive Vice President—Strategic Planning and Business Development

John J. Hanichak III
Vice President—Marketing Operations

Mark F. Schumm
Vice President—Planning and Administration

Larry D. Baumann
Vice President—Finance

Robert J. Gunthner
Vice President and Regional Director—Americas

Philip C. Davis
Vice President and Managing Director—Anheuser-Busch China

William H. McNulty
Vice President and Managing Director—Europe

Peter Jackson
Vice President and Regional Director—UK/Republic of Ireland

Mark E. Danner
Vice President and Managing Director—Continental Europe

Alejandro Strauch
Vice President—Mexico

Andrew Day
Vice President and Managing Director—Budweiser Japan Co., Ltd.

Jeffrey R. Ewins
Vice President and Regional Director—Asia/Pacific

George S. Thomas
Senior Vice President—Legal Affairs

Richard H. Faught
Vice President—International Affairs

Iris Lee
Vice President—China Development and Public Affairs

Jeff W. Dodson
Vice President—International Development

Wholesaler Equity Development Corporation

Patrick T. Stokes
Chairman of the Board and Chief Executive Officer

Kenneth W. Reiter
President

John L. Hamilton
Vice President

Busch Agricultural Resources, Inc.

Donald W. Kloth
Chairman of the Board and Chief Executive Officer

Melvern K. Anderson
President

Stephen D. Malin
Vice President—Operations

Thomas M. Wood
Vice President—Technical Operations

Thomas L. Tangaro
Vice President—Staff Operations

Metal Container Corporation

Joseph L. Goltzman
Chairman of the Board, President and Chief Executive Officer

James E. Engelhuber
Executive Vice President and Chief Operating Officer

Allan T. Copestick
Vice President—Sales and Marketing

Robert F. Wellise
Senior Vice President—Manufacturing and Technology

Mark V. Stafford
Vice President—Quality

Jerome A. Riley
Vice President—Human Resources

Charles Rothofsky
Vice President—Lid Manufacturing and Technology

Anheuser-Busch Recycling Corporation

Joseph L. Goltzman
Chairman of the Board, President and Chief Executive Officer

G. Weber Gaskin
Executive Vice President and Chief Operating Officer

Thomas A. Stengel
Vice President —Marketing Operations

Lise A. Herren
Vice President —Metal Sales and Trading

Precision Printing and Packaging, Inc.

Joseph L. Goltzman
Chairman of the Board, President and Chief Executive Officer

Nancy E. Jakse
Executive Vice President and Chief Operating Officer

Randall D. Jacobs
Vice President—Marketing and Customer Services

Packaging Business Services, Inc.

Joseph L. Goltzman
Chairman of the Board, President and Chief Executive Officer

Gary A. Bybee
Group Vice President and Chief Administrative Officer

Busch Entertainment Corporation

John B. Roberts
Chairman of the Board and President

Bradley F. Andrews
Vice President—Zoological

Daniel B. Brown
Vice President—Operations

J. Dennis Burks
Vice President—Food Service

Donald L. Eddings
Vice President—Merchandise

Andrew P. Fichthorn
Vice President—Planning and Development

Joseph G. Peczi
Vice President—Entertainment

John J. Schaefer
Vice President—Finance and Information Technology

Kristine A. Schmidt
Vice President—Human Resources

Christopher M. Shea
Vice President—Marketing

James R. Yust
Vice President—Engineering and Product Development

Busch Properties, Inc.

William L. Rammes
Chairman of the Board and President

Terri A. Haack
Executive Vice President and Managing Director—Kingsmill Resort

William B. Voliva
Executive Vice President—Kingsmill on the James

John C. Martz Jr.
Vice President—Corporate Real Estate

William F. Brown
Vice President—Busch Corporate Centers

Busch Creative Services Corporation

Karen L. Branding
Chairman of the Board, President and Chief Executive Officer

St. Louis Refrigerator Car Company; Manufacturers Railway Company

Edward R. Goedeke
Chairman, President and Chief Executive Officer

Barbara J. Houseworth
Treasurer and Controller

Board of Directors

August A. Busch III

Chairman of the Board and President– Anheuser-Busch Companies

Joined board 1963

Bernard A. Edison

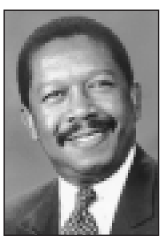
Former President– Edison Brothers Stores, Inc.; retail specialty stores

Joined board 1985

Carlos Fernandez G.

Vice Chairman of the Board and Chief Executive Officer–Grupo Modelo, S.A. de C.V.; a Mexican company engaged in brewing and related operations

Joined board 1996



John E. Jacob

Executive Vice President and Chief Communications Officer–Anheuser-Busch Companies

Joined board 1990

James R. Jones

Attorney-At-Law

Joined board 1998

Charles F. Knight

Chairman of the Board and Chief Executive Officer– Emerson Electric Co.; a manufacturer of electrical and electronic equipment

Joined board 1987

Vernon R. Loucks Jr.

Chairman of the Board— Baxter International Inc.; an international manufacturer and marketer of health-care products, systems and services

Joined board 1988

Vilma S. Martinez

Partner–Munger, Tolles & Olson; attorneys

Joined board 1983

Sybil C. Mobley

Dean of the School of Business and Industry –Florida A&M University

Joined board 1981

James B. Orthwein

Partner–Precise Capital, L.P.; a private investment partnership

Joined board 1963

William Porter Payne

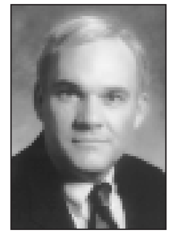
Chairman– Orchestrate.com; an enhanced communications provider

Joined board 1997

Joyce M. Roché

Formerly President and Chief Operating Officer of Carson, Inc.; a personal care products company

Joined board 1998



Andrew C. Taylor

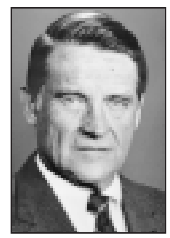
President and Chief Executive Officer– Enterprise Rent-A-Car Company; a national car rental company

Joined board 1995

Douglas A. Warner III

Chairman of the Board and President– J.P. Morgan & Co., Inc. and Morgan Guaranty Trust Company of New York; an international commercial and investment banking firm

Joined board 1992



William H. Webster

Partner–Milbank, Tweed, Hadley & McCloy; attorneys

Joined board 1991

Edward E. Whitacre Jr.

Chairman and Chief Executive Officer– SBC Communications Inc.; a diversified telecommunications company

Joined board 1988

Advisory Member

Peter M. Flanigan

Senior Advisor– SBC Warburg Dillon Read, Inc.; an investment banking firm

Joined board 1978

Investor Information

Anheuser-Busch Companies
World Headquarters

One Busch Place
St. Louis, Mo. 63118
314-577-2000

Annual Meeting

Wednesday, April 28, 1999, 10 a.m.
Orlando, Fla.

Transfer Agent, Registrar and Dividend Payments

ChaseMellon Shareholder Services, L.L.C.
85 Challenger Rd., Overpeck Centre
Ridgefield Park, NJ 07660
1-888-213-0964

Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Anheuser-Busch Companies common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating shareholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and shareholders may join or withdraw at any time. For more information, contact ChaseMellon Shareholder Services (address above).

Stock Exchange Listings		Traded on These Exchanges	
New York	Paris	Boston	Pacific
London	Swiss	Chicago	Philadelphia
Frankfurt		Cincinnati	

Ticker Symbol: BUD
Newspaper Listing: AnheuserB

Independent Accountants

PricewaterhouseCoopers LLP
800 Market Street
St. Louis, Mo. 63101

Trustee for Debentures and Notes

The Chase Manhattan Bank
450 West 33rd St.
New York, N.Y. 10001
1-800-648-8380

Dividends

Dividends are normally paid in the months of March, June, September and December.

Other Information

Earnings results will be announced on the following dates in 1999: April 28, July 28 and October 27. Dividend declarations will be announced April 28, July 28, October 27 and December 15, 1999.

You may obtain, at no charge, a copy of Anheuser-Busch Companies Annual Report to the Securities and Exchange Commission (Form 10-K) by writing to the Vice President and Secretary's office at the corporate address, or calling 314-577-3889.

Selected Anheuser-Busch Internet Addresses

http://www.anheuser-busch.com
http://www.budweiser.com
http://www.seaworld.com
http://www.buschgardens.com

General Information by Phone (toll-free)

1-800-DIAL-BUD (1-800-342-5283)

Anheuser-Busch Companies Subsidiaries

Anheuser-Busch, Inc.
World's largest brewer and U.S. industry leader since 1957; produces approximately 30 beers and two nonalcohol brews at 12 U.S. breweries

Anheuser-Busch International, Inc.
Explores and develops beer markets outside the United States

Anheuser-Busch Recycling Corporation
World's largest recycler of aluminum beverage containers

Busch Agricultural Resources, Inc.
Produces and enhances the quality of raw materials for Anheuser-Busch, Inc.

Busch Creative Services Corporation
A marketing, creative services and business communications company

Busch Entertainment Corporation
One of the largest U.S. theme park operators, with nine parks throughout the country

Busch Properties, Inc.
A real estate development company with resort, residential and commercial properties in selected areas of the country

Manufacturers Railway Company
Provides terminal rail-switching services to St. Louis industries and operates trucking subsidiaries

Metal Container Corporation
Produces cans and lids for Anheuser-Busch, Inc. and U.S. soft-drink companies

Packaging Business Services, Inc.
Provides administrative services and develops existing and new businesses for the Packaging Group

Precision Printing and Packaging, Inc.
Produces metalized labels for Anheuser-Busch, Inc. and other customers

St. Louis Refrigerator Car Company
Provides commercial repair, rebuilding, maintenance and inspection of railroad cars

Wholesaler Equity Development Corporation
Shares equity positions with qualified partners in Anheuser-Busch, Inc. distributorships while they build toward total ownership

The 1998 Anheuser-Busch Companies Annual Report is printed on recycled paper.

Produced by the Corporate Communications Department